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Divestiture and Telecommunications Deregulation: Impact on Service and Labor

Assembly Committee on Utilities and Commerce

Informational Hearing

Of

Assembly Utilities and Commerce Committee

DIVESTITURE AND TELECOMMUNICATIONS DEREGULATION:

IMPACT ON SERVICE AND LABOR

Museum of Science and Industry
Seminar Room
Los Angeles, California
October 23, 1985

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INTERIM HEARING

October 23, 1985
10 AM - 1 PM
Museum of Science and Industry
Seminar Room
700 State Drive
Los Angeles

DIVESTITURE AND TELECOMMUNICATIONS DEREGULATION: IMPACT ON SERVICE AND LABOR

Agenda

I. Opening Statement: Honorable Gwen Moore, Chairwoman
II. Testimony

Witnesses

Denise Mann
Policy & Planning Division
Public Utilities Commission

George Schmitt
Planning Director
Pacific Bell

John Jensik
Revenues Director
General Telephone

Robin Quiroz
Western Regional Manager
GTE Sprint

Sylvia Siegel
Executive Director
TURN

Representative
AT&T

Robert A. Ringman
Executive Vice President
Cal. Telephone Association

Larry Kamer
Manager, Public Policy
MCI

Terry Howard
Regina Render
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of America

86-4-3418

California Legislature

Assembly Committee on Utilities and Commerce

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1. Introduction: Repercussions of The AT&T Divestiture

The breakup of AT&T in 1984 dramatically concluded 30 years of challenges to the Bell System monopoly. Today seven regional "Bell operating companies" (BOC's), through their regulated telephone companies, provide local telephone service; through separate subsidiaries, they can also market telephone equipment (though they cannot manufacture it). The divested AT&T, in competition with other carriers, provides long-distance service; in competition with IBM and other companies, it continues to develop, manufacture, and sell telecommunications equipment.

AT&T and its competitors are all racing to capitalize on what is perceived to be a rapidly growing market for their services and equipment. As a result, they are adjusting their service offerings and paring their workforces, unionized and nonunionized, to achieve higher productivity and returns. The BOC's, including Pacific Telesis (parent of Pacific Bell, California's largest telephone company), and the larger independent telephone companies (including General and Continental), are also adjusting their corporate structure to emphasize high-return activities, transferring some functions formerly carried on in a regulated environment to their unregulated (and often nonunionized) subsidiaries.

Because telephony is so central to the American way of life and economy, these actions directly affect millions of customers and hundreds of thousands of employees. If telephone service is marketed only to the most profitable customers, then high-quality, universally available, and reasonably affordable telephone service may be threatened. Cost-cutting labor reductions by the telephone companies, long-distance carriers, and equipment manufacturers could additionally result in the idling of thousands of employees and a reduced quality of service. Ultimately, the social costs of rationalizing telephone service could exceed the returns in more efficient service. This hearing is intended to explore the options open to state government in ensuring (1) that telephone service remains universally available and (2) that the human resources accumulated over 100 years of telecommunications development are not squandered.

2. Universal Telephone Service in California: The Lifeline Solution -- Does It Work?

In 1983, the Legislature passed and the Governor signed into law the Moore Universal Telephone Service Act (AB 1348, Ch.1143, Stats.1983). The Moore Act declared that "communication by telephone is a basic human need in modern society, and must be made available to all Californians at reasonable cost for basic minimum use" and directed the Public Utilities Commission (PUC) to construct a "universal lifeline" telephone service to accomplish this end. It also created a Universal Telephone Service Fund, supported by a small tax on long-distance carriers. Monies from this fund are allocated to local telephone companies for their provision of a discounted, half-price telephone service to income-eligible customers. The Moore Act, in effect, recaptured a tiny portion of the long-distance subsidies that once kept the price of local service low, passing it along, in the form of affordable service, to those customers least likely to benefit from competitive offerings and most likely to lose service altogether.

Today, over 500,000 low-income Californians use Moore Act universal lifeline service. But, in a report ordered by the PUC from Pacific Bell and performed by Field Research Corporation, it was revealed that as many as 500,000 more eligible Californians are not availing themselves of lifeline service. The causes are diverse, but three stand out. First, as many as 40 percent of universal lifeline-eligible customers do not know about the service. Second, many eligible customers living in areas with measured service find the limited service available to them -- 30 "free" calls, with a premium for each additional call --constraining and unreasonably expensive. (Most universal lifeline customers make about 50 calls per month; other customers make many more.) Third, the eligibility criteria for universal lifeline customers are arbitrary and not necessarily reflective of need. Many customers deserving of assistance may be denied universal lifeline service because they fall outside the PUC's strict and inflexible eligibility criteria. As a result of nonuse, the Universal Telephone Service Fund has acquired a substantial surplus. (See attached article.)

To remedy the first problem, lack of awareness among eligible customers, more intensive and innovative public education is required. So far, delivery of information about the Moore Act service has been conventional in style and sporadic in execution. More channels of communication, as well as better targeted messages, are needed to alert eligible customers to the availability of universal lifeline service. Local telephone companies and the PUC have both promised to undertake public education campaigns regarding universal lifeline telephone service; but, so far, the results have been disappointing. Currently, administration of the $70 million program costs the state approximately $130,000; no public monies are allocated for public education efforts.

One cure for the second problem, the restrictive nature of universal lifeline service in measured service areas, was offered this year by AB 549 (Moore). AB 549 would have permitted eligible customers in measured service areas to choose an unlimited service discounted in a dollar amount equal to the discount available to those who requested a measured service option. Thus, a universal service customer could make an unlimited number of calls, paying the higher flat-rate price minus the discount offered to customers satisfied with the 30-call limit. The bill was passed by both houses of the Legislature but was vetoed by the Governor, who claimed the bill might prevent an eventual reduction of the tax paid by long-distance carriers to support the Universal Telephone Service Fund.

Another solution would be for the PUC to improve the quality of universal lifeline service in measured service areas by raising the ceiling on free calls. Low-income customers, the Field report made clear, rely heavily on the telephone to conduct their daily business (perhaps because, for low-income persons, transportation is unavailable or many social service agencies need to be contacted on a regular basis). Merely doubling the number of calls available to measured service area eligibles would still result in their "communication deprivation" vis-a-vis other customers. The PUC could adopt a more lenient policy; the surplus in the Universal Telephone Service Fund is sufficient to accommodate a more usable service.

Similarly, the PUC could also act to liberalize eligibility criteria for universal lifeline customers. The current limit does not reflect the heavy impact family size makes on telephone use, nor does it recognize geographical differentials in need for communications in various regions of the state. In fact, the PUC is deliberating on these possible actions now, but it has yet to act.

The Moore Universal Telephone Service Act, intended to provide a safety net for telephone customers while the telecommunications environment stabilizes, sunsets in 1988. But competition in the long-distance market may cause reductions in long-distance service (including that provided by AT&T, the only carrier currently serving all regions of California) and higher prices for service to outlying areas. Competition in the local telephone market, if permitted by state or federal regulation, could result in withdrawals and reduction of service, accomplished directly or through prohibitively high prices. These outcomes would be catastrophic for the Legislature's universal service goal. The Moore Act could sunset at a very disadvantageous time.

3. The Telecommunications Workforce After Divestiture

Nearly 1 million workers were employed by AT&T and the independent telephone companies prior to divestiture. Following divestiture, AT&T and the BOC's began to redistribute the Bell System workforce, encouraging managers to take early retirement, transferring workers to different organizations and locales, and generally seeking to shrink their labor rolls. One reason given for this action was that new technology, particularly computerized switching devices, was reducing the need for certain employees. The competitive long-distance companies, like MCI and GTE Sprint, were already operating with capital-intensive technologies that required many fewer workers to operate (though their services were more limited than AT&T's and the BOC's).

The situation is the same in the equipment market. Increasingly, manufacturers export manufacturing and assembly jobs overseas. Recently, AT&T announced it was closing its Shreveport, Louisiana, handset assembly plant, the last such plant operating in the United States, and transferring the assembly functions to Singapore. Also, the firm announced the layoff of nearly 24,000 employees in its Information Systems division, which manufactures and installs telecommunications equipment; thousands of these layoffs will take place in California. The Federal Communications Commission (FCC) has opened an inquiry entitled Computer III, in which it has expressed a desire to remove former regulatory boundaries to the amalgamation of AT&T's two halves, AT&T Information Systems and AT&T Communications (which provides long-distance service). If this reintegration takes place, some experts predict, further jobs will be lost at AT&T.

The BOC's may follow in AT&T's stead, with more substantial force reductions ahead. Most of the recent profitability of Pacific Telesis and the other BOC's may be attributable to lowered labor costs.

Classical economists argue that more efficient -- i.e., lower labor-cost -- provision of telecommunications services and equipment will release capital and human beings for more productive applications. They are unable, however, to trace the linkages between labor reductions in one quarter and expansions in another. Some look to the computer industry for greater employment opportunities. But no definitive studies have found that increased technologization leads to higher employment, and so far the historical evidence points in the opposite direction, to worklessness.

This is paradoxical, since the telecommunications workforce is one of the most skilled in the United States. Some telecommunications workers perform coordinative functions that require a high degree of personal organization and intelligence. Many are skilled technicians. Additionally, the continued expansion of telecommunications networks and the application of information technologies could require greater expertise to be diffused throughout society. For example, operators who now supply only directory information and who are being replaced by automated devices, could become "information facilitators" capable of helping citizens navigate through a complex, telephonically connected society. Shrinking the cost of labor in the telecommunications industry could be a penny-wise, pound-foolish strategy if the growth of the information industries, predicted by the industries themselves, requires them to recruit and train new workers to carry out tasks which former employees could have performed as well.

Technologization raises another concern. Systems which are thoroughly automatic are also thoroughly prone to mechanical or electronic breakdown. Diagnostics and repairs can be administered in most cases through technological means -- but a severe disruption of systems (perhaps due to a natural catastrophe, like a statewide earthquake) could cause a "cascade" effect, disable one after another element of the telecommunications infrastructure as failures spread with electronic speed through the networks.

Not only current but future workers must be concerned with technologization of telecommunications and the export of jobs overseas. New jobs need to be created in response to the automatization of telecommunications and information. So far, however, no one has suggested what those jobs might be.

Questions of general interest to the Committee include the following:

- What is the impact of telecommunications deregulation and the AT&T divestiture on consumers, industry workers and labor unions? Do consumers and telecommunications industry workers have common interests, e.g., rising local telephone rates vs. long-term employment stability? What will be the impact of recently announced layoffs in the telecommunications industry on service standards? Will California consumers be hurt?

- What is the impact of deregulation, foreign competition, and rapidly growing telecommunications equipment imports on industry employment? What impact, if any, will these developments have on California telecommunications workers?

- What is the impact of telecommunications deregulation and the AT&T divestiture on local telephone service and equipment options? Are consumers adequately informed to become "smart shoppers" in the marketplace? Is local telephone service sufficiently flexible and reasonably priced to offer disparate consumers a variety of options at affordable rates?

- What is the impact of telecommunications deregulation and the AT&T divestiture on the long distance marketplace?

- What is the status of the "equal access" implementation? Are consumers confused, or satisfied, by their long distance choices?

- What is the impact of competition in the long distance marketplace on industry employment and labor unions?

- What is the status of the Moore Universal Telephone Service Act in California? Has this program proved successful? Is Universal Telephone "Lifeline" service as currently offered sufficiently flexible to meet consumer demands? If not, what additional options should be offered?

- How are the local telephone companies externally marketing the Universal Telephone Lifeline Program throughout California? Are eligible California consumers adequately informed about this telephone service option? Are telephone company customer representatives adequately informed and given sufficient incentives by management to successfully market this service to the public?

- What is the future of universal telephone service in California?

Thurman White
Robert Jacobson
Consultants
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(New York Co.)
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(Western Edition)
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Phone Activists

Jump in Local Rates Since AT&T Breakup Is Spurring Protests

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Mandatory Timing of Calls, Depreciation Are Issues; Firms Cite Competition

Getting Speakers, Signatures

By Eileen White
Staff Reporter of The Wall Street Journal

Hoisting a homemade casket on their shoulders, four activists recently disrupted a public hearing in Pittsburgh on a rate-increase request by Bell Telephone Co. of Pennsylvania. The pine box, labeled "Death of Universal Service," had unhooked phone receivers dangling down the sides and the pallbearers marched to a song:

Oh, Bell's coming 'round the mountain with big bills,
Oh, Bell's coming 'round the mountain with big bills,
They've been saying since the breakup
That their costs they have to make up
They'll sock it to us even if it kills.

Such stunts are signs of a growing consumer activism resulting from the rising price of local telephone service since the breakup of American Telephone & Telegraph Co. "We've had placards raised in hearings before, and even a giant rubber stamp," says James H. Brenneman, Bell of Pennsylvania's vice president for external affairs. "But not a coffin."

Off the Grill

Around the country, requests for record rate increases are meeting a politically savvy opposition that cut its teeth on the electric-utility rate wars of the 1970s. Recent battlegrounds have included Wisconsin and Mississippi, and new skirmishes are forming around pending cases in California, Texas and the District of Columbia. "The electric-utility industry owes a debt to the telecommunications industry," says George Barbour, a member of the New Jersey Board of Public Utilities. "They were on the grill, but telecommunications has moved them right off."

The phone companies say competition or once-secure revenue forces them to try o adopt higher local rates and repricing lans, such as charging by the minute for ocal calls. They worry about long-distance ivals that already skim off certain high-rofit business callers, and they face new rms of competition, such as private pay hones and calls carried over cable-television lines.

But many consumer groups are just as determined to make affordable telephone service a mom-and-apple-pie issue. Since the groups lost their battle last year for federal laws or Federal Communications Commission rules requiring low local calling rates, they have refocused their attention on the states.

Consumer Boards

In Wisconsin, Illinois, New York, Oregon and California, "citizens' utility boards" have been chartered by the states to represent consumers' viewpoints, and national consumer leaders are pushing other states to follow suit. The outcome probably depends on a favorable ruling in a California case scheduled to be argued before the Supreme Court next month. In the suit, Pacific Gas & Electric Co. is challenging an order by the California public utility commission requiring the utility to include consumer groups' materials in its bills four times a year.

Paying by the minute for local calls, which is an option in most states, is another target of consumer groups. Arguing that the practice would increase phone bills for the poor and the elderly, they have helped defeat it in five states and the District of Columbia. But the Vermont Public Service Board approved mandatory timing in July on the ground that it benefited most consumers. In a six-month experiment, the board found that compared with unlimited local calls, timing calls resulted in lower bills for 75% of residential users.

Mixed results for consumer groups will probably continue because regulators weigh the interests of ratepayers against those of shareholders. But achieving a balance is likely to become even more difficult as Bell companies press regulators for still higher rate increases to raise shareholder returns. The companies cite a need to compensate holders for the increased risk since divestiture so that they can continue to attract investors in the future.

Technological Change

Actually, though, many recent rate increases have more to do with technological change and competition than with divestiture. As a monopoly, the Bell System depreciated its equipment over periods of up to 40 years. That practice left the seven divested Bell companies holding a total of $26 billion in underdepreciated equipment. Now, the companies want regulators to speed up depreciation on old cabling and switches, allowing quicker investment in new fiber-optic cable and digital switches.

In addition, the phone companies have asked regulators to allow them to lower the fees that they charge to long-distance companies for access to the local network. They hope this would remove the incentive to long-distance companies to "bypass" local facilities by setting up alternative networks.

The local companies argue that these changes would make them less vulnerable to competition, thus keeping phone bills from skyrocketing in the long run. But the short-term effect of the changes—higher depreciation expense and lower long-dis-

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Phone Activists: Increase in Rates Since Divestiture Leads to Protests

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tance revenue--would mean higher local phone bills now.

"The best case for us is the worst case for regulators," says William G. Burns, the chief financial officer of Nynex Corp., the Bell company serving New York and New England. "The rates would go up substantially, two or three times what they are now."

In most states, Bell companies have also begun to reprice local service by charging for local calls based on time of day, distance and duration. Under Bell of Pennsylvania's proposal, residential customers would pay about $5 a month for a phone line and each local call during peak hours would be billed at about five cents for the first minute and one cent for each additional minute. Customers could still pay a flat rate and make unlimited local calls, but the flat rate would jump about 66% to about $17.55 a month.

As they mobilize, consumer groups have the benefit of their 1970s experience, when sudden increases in heating bills united middle-of-the-road consumer groups with liberal-left activists tied to Ralph Nader's organizations. In the phone-rate battle, the Telecommunications Research and Action Center and Public Citizen—both related to Mr. Nader—are collaborating with the Consumer Federation of America and several groups representing the elderly.

These organizations, all based in Washington, serve as informal clearinghouses for local activists. This summer, consumer organizers from 18 states in the East and the Midwest met national leaders in Pittsburgh to learn how to fight on two fronts at once. The idea was to organize demonstrations to gain the public's attention while developing legal and economic arguments to present to state utility commissions.

In Pennsylvania, consumer groups have been focusing on timed local service. Earlier this year, they persuaded Boy Scout troop leaders, neighborhood leagues, senior-citizen clubs and other groups to appear publicly against it. The utility commission's consumer service bureau also received 1,200 negative phone calls and petitions bearing 13,000 signatures.

At the Pittsburgh hearing in May, the "guerrilla theater" with the coffin was followed by a procession of consumers who decried Bell of Pennsylvania's $325 million rate-increase request. (The company reduced its request to $237 million this summer.) Protesters became so boisterous that the presiding administrative law judge ordered part of the proceeding to be deleted from the official hearing record.

Across the state in Philadelphia, the 80,000-member Pennsylvania Public Interest Coalition used the phone issue to increase its membership 25% and to urge reform of the utility commission. The group collected 37,000 signatures on petitions that call for a limit on phone rates and four-year terms for utility commissioners that would run concurrently with the governor's term. Commissioners now serve 10-year terms. "If we can't change the decisions, at least we can change the decision makers," says Jeffrey Eagen, an organizer for the coalition.

On the technical side, activists had the benefit of publicly funded economic arguments against the phone company's rate-increase request. Their case was presented by consultants hired—at a cost of $100,000—by the state's Office of Consumer Advocate, which was established in 1976 to represent consumers' interests before the utility commission. About 35 other states have similar posts.

Consultants Marvin H. Kahn and Francis R. Collins concluded that the phone company had "no basis at all" for shifting costs to local rates. They also opposed the increase in consumer rates to cover depreciation, which they said would subsidize "exotic services" for businesses.

Bell of Pennsylvania says it considers the findings "preliminary and inconclusive." The consultants' opinions "have been rejected or overruled by commissions all over the country," Mr. Brenneman says.

Consumers have found an unexpected ally for part of their argument, though: the Business Users Group, made up of corporations such as Westinghouse Electric Co., Bethlehem Steel Corp., Honeywell Inc. and Scott Paper Co. In an official complaint that labeled the Bell request "exorbitant," the group disputed the need for rapid depreciation or the timing of local calls. "It makes little sense to say, 'Pay millions now to save millions down the road,' " says the group's attorney, Terry Bossert. "It seems to me to be just another way to get a buck this year."

Meanwhile, Mr. Brenneman says, Bell of Pennsylvania has stepped up its regulatory and legislative activity. Bell representatives also meet every six weeks with certain consumer leaders. The parent company, Bell Atlantic, chipped in $132,000 last year to help set up a telephone industry-sponsored group called Concerned Citizens for Universal Service, based in Columbus, Ohio.

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Bell of Pennsylvania says it suffered "a devastating blow" late in August, when the utility commission's administrative law judge recommended that the company be granted a rate increase of just $40.2 million. But Raymond W. Smith, Bell Atlantic's vice chairman and chief financial officer, says he expects a better reception from the commissioners. "They recognize that good telephone service and good earnings are connected," Mr. Smith says.

Still, the prospect that consumers' activism will increase as rates escalate leaves others far less certain about the future. V. Louise McCarren, the chairman of the Vermont Public Service Board, sees "tremendous pressure" on rates—and on regulators. "This is what happens," she says, "when you replace regulation with competition: a massive cost shift from large users to small users."

Los Angeles Times
October 16, 1985

Phone Service Unchanged, 68% Tell Survey

By PENNY PAGANO,
Times Staff Writer

WASHINGTON—Two out of three telephone customers believe that the breakup of AT&T has not affected the quality of local phone service, a new nationwide survey of residential telephone users released Wednesday shows.

The survey, conducted by the Gallup Organization for the U.S. Telephone Assn., also found that only one in five customers changed their telephone service in the last year.

At the same time, many of the 1,200 households surveyed said they still do not understand the breakup of the Bell System, the new monthly subscriber-line charges and such issues as the ability to bypass local telephone facilities with networks that specialize in long-distance service.

Of those surveyed, the results showed that:

- On local phone service, 66% rated the quality the same as before divestiture; 18% said service is better; 14% called it worse, and 2%

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PHONES: User Survey

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had no opinion. Those who complained about declining service cited poorer connections, more service interruptions and more trouble getting a dial tone.

- On basic local phone service, 44% said that the pricing is about right; 33% called it somewhat expensive; 16% said it is very expensive; 5% termed it inexpensive, and 2% had no opinion.
- Twenty-eight percent said they do not understand their phone bills, citing an increased number of pages, more itemized charges and separate listings of local charges.

In addition, 93% of those surveyed said they know that they can own their phones, and 93% said they are aware that they can choose among different long-distance companies.

However, only 52% said they were aware of the new $1 monthly subscriber-line charge, which was imposed in June to help companies meet the costs of providing local service. Previously, local costs were subsidized by long-distance revenue.

"We believe the survey results support our opinion that high-quality local service has been maintained, if not improved, since divestiture," said John Sodolski, president of the telephone association, which financed the poll. He called the study the first scientific, nationwide survey of residential phone users since the AT&T divestiture took effect in January, 1984.

The association represents 1,100 local telephone companies across the nation, including the independent regional Bell companies created by the breakup of AT&T.

Los Angeles Times
10/3/85

PUC Says Half of Eligible Used 'Lifeline' Phone

Customer Response Lower Than Expected

By BRUCE KEPPEL,
Times Staff Writer

Only about half of California's eligible households took advantage of cut-rate basic telephone service for low-income residents in the program's first year, the Public Utilities Commission reported Wednesday.

As of June 30, the PUC counted 493,768 telephone customers who had signed up for so-called Lifeline service.

The service was made available in July, 1984, to households with total income of $11,000 or less—a threshold raised to $11,500 this year. Lifeline service is available only to a principal residence served by a single telephone number, and applicants must sign a statement of eligibility provided by the local telephone company. According to census and other statistical data, nearly 1 million California households would meet the income test.

Because response to the service fell below expectations, however, the PUC last March increased the income threshold and ordered local telephone companies to publicize Lifeline service, which has been done with flyers inserted in monthly billing envelopes.

The Lifeline program ended its first year with a huge surplus. By June 30, the PUC reported, the fund still contained $43.5 mil-

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lion—more than half of the $79.5 million generated by a new tax that was levied to finance the service.

Lifeline, the restrictions on eligibility and the funding through a 4% tax on long-distance calling within the state were authorized in the Moore Universal Telephone Service Act. Assemblywoman Gwen Moore (D-Los Angeles) introduced the legislation in anticipation of the breakup of the Bell System on Jan. 1, 1984. That breakup ended a complex system of internal Bell subsidies in which such services as Yellow Pages advertising and toll rates were priced above cost; those subsidized basic service offered below cost in compliance with a longstanding congressional mandate that "universal" telephone service be offered throughout the United States.

However, before American Telephone & Telegraph was divested of its local operating companies, anyone who could live with the service restriction could sign up for the cut-rate service, which provided 30 local calls and unlimited incoming calls. Many affluent customers took advantage of the service at their vacation homes, as did many working couples who used their home phones for local calling relatively rarely.

But that service expired with the Bell System. The Moore act replaced those Bell subsidies with revenue from a new 4% tax on intrastate long-distance calls. California's was the first such law, and its experience is being studied by other states.

The report is the PUC's first annual report to the Legislature as required by the Moore act.

LIFELINE ELIGIBILITY

To be eligible for Lifeline telephone service one must:

- Have a household income of no more than $11,500 from all sources.
- Request service for a principal residence only (no vacation homes).
- Have only one telephone line (one number) serving the residence
- Sign a declaration of eligibility with the local company.

Monthly Rates

Pacific Bell: $1.48 in areas with measured-usage service* (all of Los Angeles and much of Orange counties) or a $3.38 flat rate offering unlimited local calls where measured-usage service is unavailable.

General Telephone: $1.87 for measured service* or $4.12 flat rate.

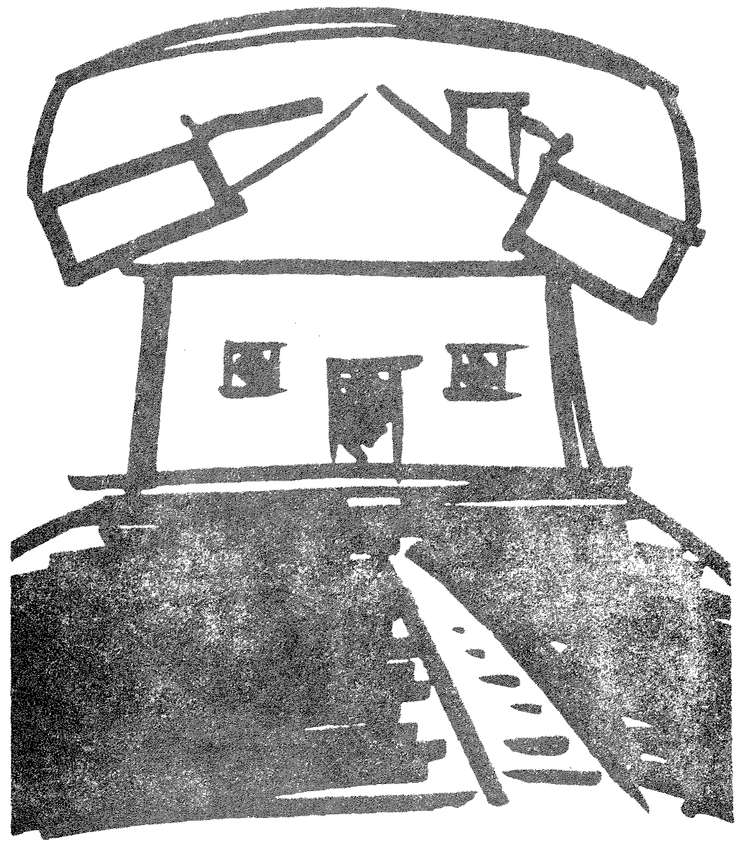
* Allows 30 untimed, local calls, then 10¢ a call from 31 calls to 40 and 15 cents for each call thereafter.

Sources: PUC, Pacific Bell, General Telephone.

PACIFIC BELL
A Pacific Telesis Company

PACIFIC BELL
A Pacific Telesis Company

Universal Lifeline Telephone Service: Every Californian Can Have a Phone



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In September 1983, Governor Deukmejian signed into law the "Moore Universal Telephone Service Act" authored by Assemblymember Gwen Moore. The new law says, "Communication by telephone is a basic human need in modern society, and must be made available to all Californians at a reasonable cost for basic minimum use."

In response to this law, Pacific Bell is pleased to offer Universal Lifeline discount telephone service —so that every Californian can have a phone.

What is Universal Lifeline Telephone Service?

Universal Lifeline is a discount phone service —more than 50% off—for eligible Californians. (Check page 2 to see if you're eligible.)

What do you get with Universal Lifeline Telephone Service?

1. Phone service at only half the regular monthly rate available in your area.
2. Unlimited *incoming* calls.
3. Thirty *outgoing* local calls a month (each additional local call is billed separately), *or unlimited outgoing* local calls, depending upon where you live in California. (For details, see *page 3*.)
4. A 75¢-a-month credit on the cost of leasing or buying a phone.
5. No deposit for new service, if you don't have any unpaid telephone bills.
6. 50% off the cost of a regular service change. If you are already a Pacific Bell customer, it will cost you only $7.50, instead of the regular $15.00, to have your service changed to Universal Lifeline.
7. 50% off the cost of installing phone service once a year, including one modular jack, if needed. If you are a new Pacific Bell customer, or you move to a new address, you will pay $17.25, instead of the regular $34.50, to have your phone hooked up. (If you like, you can pay the $17.25 in three installments.)

Optional services—like Touch-Tone, Call Waiting, or an Unlisted Number—may be added to basic Universal Lifeline Service at the regular cost.

Who can get Universal Lifeline Telephone Service?

You are eligible for Universal Lifeline Service if you meet the following requirements:

- Your total household gross income is not more than $11,500 per year.
- You have only one phone number at your home, and you receive Universal Lifeline Service only at your main place of residence.
- You are not claimed as a dependent on another person's income tax return.

(These requirements were established by the California Public Utilities Commission.)

How can you get Universal Lifeline Telephone Service?

If you meet the requirements listed above, either call your Pacific Bell Business Office (the number appears on your bill and in the front of the directory) or fill out the information request card on the last panel of this brochure. It's pre-stamped, so you can just drop it in the mail. If you're concerned about your privacy, you can put the card in your own envelope (don't forget the stamp) and mail it to the address printed on the front of the card.

Within about 10 working days after you mail the information request card, a special Universal Lifeline representative will call you to answer any questions you may have. If you're interested, the representative will also fill out a Certification Form over the phone and mail it to you to sign. You must return the form within 30 days.

If you are already a Pacific Bell customer, we'll change your service to Universal Lifeline when we receive your signed form and you'll pay *half* the cost of a regular service change ($7.50 instead of $15.00).

What does Universal Lifeline Telephone Service cost per month?

Basically, it costs half the *regular* rate available in your area.

In most areas of California served by Pacific Bell, Universal Lifeline is a measured service, which gives you 30 outgoing local calls—of any length—at a cost of approximately $1.48 a month. Additional local calls are billed separately—10¢ each for calls 31-40, and 15¢ each for calls over 40.

In the rest of the areas served by Pacific Bell, Universal Lifeline is a flat rate service, which means you can make an unlimited number of outgoing local calls at a monthly cost of approximately $3.38.

These rates include a 75¢-a-month credit towards the cost of leasing or buying a phone. Long distance calls are billed separately, at regular rates.

Your Service Representative can tell you which Lifeline Telephone service is available in your area. If you are served by another local telephone company, rates may differ.

Will Universal Lifeline Telephone Service save you money?

Yes, in areas where only flat rate service is available.

In areas where measured service is available, it depends on your calling habits. For example, your *local* phone bill depends on:

- how many calls you make
- how far away you call
- when you call
- how long you talk

This chart may help you decide whether Universal Lifeline will save you money in those areas where measured service is available.

Number of local calls you make each month:*	Service you should select:
Less than 71	Universal Lifeline
Between 71 and 85	Standard Measured
More than 85	Premium Flat Rate

*Based on weekday five-minute local calls.

Universal Lifeline Telephone Service
Information Request Card

(Please print clearly)

Name: ______________________

Address: ______________________

City: ______________________

State: ____________ ZIP: ____________

Daytime Telephone: (____) ______________
Area Code Number

Home Telephone: (____) ______________
(if different from above) Area Code Number

If you find that Universal Lifeline doesn't save you as much as you'd hoped, ask your Service Representative for advice on how to keep your phone bill as low as possible.

How can you continue your Universal Lifeline Telephone Service?

Every year, Pacific Bell will mail you a Certification Form. To stay on Universal Lifeline, you must fill out the form—certifying that you still meet the requirements—and return it within 30 days. Otherwise, your phone service will automatically be switched, free of charge, from Universal Lifeline to the *regular* rate available in your area.

How can you switch from Universal Lifeline to regular service?

If you no longer meet the requirements for Universal Lifeline, or Universal Lifeline no longer meets your needs, please call your Service Representative at the Pacific Bell Business Office nearest you, and ask to have your service changed. For the number, check the first page of your phone bill where it says, "When moving or placing an order call...." There's no charge for switching from Universal Lifeline to regular residence service.

We're still here to help.

Reliable, efficient communication is Pacific Bell's business. We are committed to bringing the world's best phone service to your home, at the lowest possible cost. If you have questions about anything mentioned in this brochure, just call your Service Representative at the Pacific Bell Business Office nearest you or mail the attached card to us. We'll call you back within approximately 10 working days.

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COMMUNICATIONS DAILY
Thursday August 22, 1985

AT&T-IS WILL CUT 24,000 JOBS BY EARLY 1986, 20% OF CURRENT FORCE

AT&T announced Wed. it will eliminate 24,000 jobs at AT&T Information Systems, about 20% of 119,000 work force, this year and early next year. About 18,000 will be cut this year, 6,000 early next year, AT&T said. Spokesman said workers will be offered other jobs or early retirement where possible, rest will be laid off. AT&T-IS Chmn. Robert Allen, who announced cutback in companywide telephone call, said market conditions could make further reductions necessary.

Layoff will cost AT&T about $900 million in pension payments, other expenses. Entire sum will be covered from reserves set aside before divestiture. Savings resulting from layoff will equal "a few cents per share," showing up next year, AT&T source said.

Layoff involves 16,700 union employes and 7,000 in management. Communications Workers of America expressed "outrage." CWA Pres. Morton Bahr demanded "immediate negotiations" over possible transfers, as well as possibility of giving workers same early retirement incentives as management. He said layoffs create "an almost insurmountable obstacle to successful negotiations" of major CWA labor contract next year.

AT&T-IS began life after divestiture Jan. 1, 1984, with 98,000 employes, was down to 86,000 by first of year because of reassignment or attrition. But with FCC decision earlier this year allowing some consolidation of AT&T-IS functions, it took on 33,000 employes from AT&T Technologies factories, swelling total to 119,000. Allen said cuts were made possible by consolidation, because AT&T-IS for first time has control of all key design, development, manufacturing, marketing, sales and service aspects of company, can operate as single business with fewer people.

About 7,400 of layoffs are under way already, AT&T said. Cutbacks will affect about 15,000 staff and support positions, 4,000 in installation, maintenance and other technical support, about 3,000 in product distribution and 2,000 in hourly factory jobs, whose elimination was announced previously. Allen said for most part sales account, design and development and Computer Systems jobs won't be affected.

As part of financial incentives for early retirement, AT&T announced newly enhanced pension plans for management and nonmanagement employes, but CWA's Bahr called on company executives to take salary cuts and forego 8.5% pension increase. Bahr said management pension raise is twice that for nonmanagement employes and showed insensitivity to union workers: "There has been nothing approaching equality of sacrifice on management's part" in cost-cutting struggle, he said. "Right now there are only one and a half workers for every manager at ATT-IS. And now, by laying off 2 workers for every manager, that ratio is going precisely in the wrong direction for a company that is already management top-heavy."

But industry analysts said move was overdue because AT&T couldn't carry surplus positions in unregulated environment. "A lot of what they're doing now should have been accomplished at divestiture... They're carrying so much weight, in terms of expenses," that it's difficult to compete "in the real world," said Robert Knox of Yankee Group consultants.

Knox also speculated that AT&T-IS could be trimming down prior to "strategic alliance" with outside firm, such as takeover of a computer company. AT&T has long been rumored to be in market for computer firm, and current slump in that industry makes those companies more affordable. One often rumored as possible AT&T takeover target is Digital Equipment Co. (DEC). Move would provide AT&T with a computer base and give DEC better foothold in Unix-based market.

COMMUNICATIONS DAILY
Tuesday August 27, 1985

Communications Workers of America has formed 13 regional task forces (one for each CWA region) to review impact of 24,000 job cutbacks announced by AT&T Information Systems Aug. 21 (CD Aug 22 p1). Of 24,000, AT&T already had announced elimination of 2,200 at plants in Shreveport and Denver. AT&T spokesman Michael Tarpey said company expects reduction of 18,000 by end of year, remaining 6,000 early next year. Exact size of layoffs isn't clear yet because employes will be offered retirement incentives or transfer to other jobs where possible, Tarpey said. He said list of specific positions to be cut won't be ready until Oct. and company can't give costs and savings involved. However, CWA Pres. Morton Bahr said AT&T came up "with a dollar amount that they wanted to save on payroll and translated that into people, and now they are going to look for them. If they really had an identified surplus, they would know where they were." About 70% of jobs to be eliminated are nonmanagement and 92% of those are unionized. CWA, which had been planning day of protest Aug. 29, will include demonstration in front of AT&T hq in N.Y.C. as part of protest, may schedule similar actions in other cities, CWA spokeswoman said.

LOS ANGELES TIMES, Sept. 18, 1985

Over 1,300 California Jobs to Be Eliminated by AT&T

From Staff and Wire Reports

More than 1,300 California jobs—the highest total for any state—are among the 24,000 positions being eliminated nationwide by AT&T in the retrenchment of its Information Systems division.

In the first state-by-state details that AT&T has provided since its massive cutback was announced last month, the company identified the locations of only about 10,500 of its planned job reductions. Thus, California's job loss could rise when the company identifies further cutbacks later this year.

The lost jobs announced Tuesday, including about 700 in the Los Angeles area, represent about 14% of the 9,600 California employees of AT&T's Information Systems division, which makes and sells computers and office equipment. Altogether, AT&T has 28,000 employees in the state.

AT&T said that all but 275 of the 1,334 affected California jobs will be in "non-management." Most of those will be service technicians and clerical and other support personnel based at numerous offices or operating out of their homes around the state.

In New York, 1,310 of 7,189 jobs are being eliminated, and in New Jersey, 1,074 of 11,700, the company said. Other states hard hit by the job cuts are Colorado with 660, Florida with 903, Pennsylvania with 519 and Texas with 679.

More than 117,000 people are employed nationwide by AT&T Information Systems, which is based in Morristown, N.J. The consolidation and cost-cutting move, the AT&T division said, was

Please see AT&T, Page 14

Continued from Page 1

necessitated by highly competitive market conditions.

The layoffs were originally announced Aug. 21. Spokeswoman Kathy Coulahan said the jobs least likely to be affected by the layoffs are in sales, research and development and in the computer division, she added.

Of the 24,000 positions being cut, about 7,500 have already been eliminated through attrition and transfers to other jobs, Coulahan said. The approximately 10,500 identified Tuesday leave about 6,000 still to be identified. An official in AT&T's Oakland office said it isn't known how many of those remaining cuts might occur in California.

When the original announcement was made, Information Systems Chairman Robert E. Allen said the company hoped to save hundreds of millions of dollars each year in its communications products division to make the highly competitive business more profitable.

"Sales of new products at Information Systems are up across all of the competitive markets we serve," Allen said.

Coulahan said: "That's not to say there won't be layoffs in those areas, they'll just be affected less than others. They're obviously more vital to our future."

Information Systems primarily designs, manufactures and sells telephone equipment. Unlike AT&T Communications, the long-distance telephone company, it is not regulated by the Federal Communications Commission. The unit also makes computers.

NEW YORK TIMES, July 16, 1985

Communications Union Starts Crucial Convention

By KENNETH B. NOBLE

Special to The New York Times

SAN FRANCISCO, July 15 — Lifetime employment security was the battle cry among leaders of the Communication Workers of America today as some 3,000 delegates began their 47th convention.

Confronted with sweeping changes in the telecommunications industry and dwindling membership among telephone workers, the union is seeking ways to avoid the battering suffered by organized labor in airline, trucking and other deregulated industries.

Union leaders are talking boldly of a return to the era before the breakup of the American Telephone and Telegraph Company, when workers who joined "Ma Bell" seemed assured of a job for life.

New Organizing Drives

And they are talking of possible new efforts to organize workers at A.T.&T.'s long-distance competitors.

The 650,000-member union's approaches toward a rapidly evolving, high-technology industry could provide some critical signposts for the American labor movement as a whole. The union has traditionally reached contract agreements that have been pacesetters in other fields. Labor experts are voicing uncertainty, however, over whether the union will continue to be as strong a force in labor.

The Communications Workers' challenges seem likely to fall to Morton Bahr, 58 years old, a 30-year veteran of the union who gained power as the vice president in charge of its largest region, covering New York, New Jersey and the New England states. The union local leaders meeting here this week are widely expected to elect him president of the union Tuesday.

Glenn E. Watts, who has led union through the tumultuous years before and since the A.T.&T. breakup, stepped aside today as president, a year before his term expired. He has said he wanted to give new leadership a chance to devise strategies for a crucial round of new contract bargaining in 1986.

First Talks Since Breakup

It will be the union's first negotiations with its biggest employer since the January 1984 A.T.&T. breakup spinning off seven holding companies to run local telephone service. Management is now decentralized, and A.T.&.T.'s long-distance service is in heated competition with nonunion companies.

As the union tries to develop a new relationship with both A.T.&T. and the regional Bell companies, Mr. Bahr said the union would consider organizing drives at these competitors, including MCI Communications, the nation's second-largest long-distance company. The International Business Machines Company recently acquired a major stake in MCI.

"I think there's a strong feeling in the industry that if the long-distance business is left to just I.B.M. and A.T.&T., that the whole idea behind the breakup becomes nullified in that two competitors could pretty much agree not to compete," Mr. Bahr said.

He said much of the unions' organizing efforts would be modeled after an A.F.L.-C.I.O. report last spring outlining numerous approaches unions could take to revitalize themselves.

Guaranteed Employment Sought

For instance, the report suggested new forms of union memberships, possibly including categories for workers not covered by union contracts. Mr. Bahr said these associate union memberships might be "an appropriate way to move at first" in high-technology industries. "I've already had such discussions with people in one I.B.M. plant in New York State," he added.

Mr. Bahr, who has never worked for the phone company, said in an interview, that once he is formally elected, "We will be making a major move toward employment security."

"Our major objective," he said, "is for a worker to be guaranteed lifetime employment within that company — not within that workplace or that particular job — but within that company, recognizing that jobs are changing rapidly."

Mr. Bahr's goals are indeed ambitious. Since 1982 the Communications Workers' phone industry membership has fallen more than 60,000, from 566,000.

The current president, Mr. Watts, won contracts easing the transition to deregulation, including generous incentives for workers to retire early and severance pay for workers displaced by new technology. But these gains came largely before the deregulation of service and of equipment sales really took hold through competition

A 'Cracked Open' Structure

"The whole structure is cracked wide open," said Audrey Freedman, a labor economist with the Conference Board, a business research organization, who was formerly an economist with the union.

"It's possible," she said, "that out of such an experience, the shattering of the old model, could come a burst of energy from the union, but it's going to be awfully, awfully hard."

Sweeping technological changes that are continuing in the industry are not likely to bring more jobs for union members, according to James McCabe, a securities analyst with Donaldson Lufkin & Jenrette. "The business has changed to a point that it's very electronic, digital and computer oriented, so those industries tend not to be labor-union oriented," he said. "The old telecommunications industry was electrical-mechanical and required a lot of blue-collar input."

Mr. Bahr, however, sees "a window of opportunity."

"I look at this expanding industry as a great challenge," he said. "We've

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New CWA Chief Targets IBM

By Peggy Watt

SAN FRANCISCO — Communications Workers of America, the country's largest telecommunications union, last week unveiled plans to unionize the previously untouched—and strongly anti-union—IBM, as part of its strategy to thrive in the post-divestiture world.

The union's new president, Morton Bahr, announced that intention at the group's annual convention, and explained the strategy behind the move. He said that if AT&T's new competitors face the same sort of union dealings, the communications giant will be less able to plead tight purse strings and chip away at the benefits communications work-

(Continued on Page 4)

CWA president Morton Bahr

CommunicationsWeek, July 22, 1985

(Continued from Page 1)

ers have enjoyed in their years of working for a monopoly.

Bahr, a 31-year CWA member who turned 59 years old during the convention, noted that union contracts with AT&T and the Bell companies expire next year.

The 650,000-member CWA will also seek continuity with the pre-divestiture world by pursuing regional negotiations with each Bell holding company, rather than signing contacts BOC by BOC or state by state, as some workers feared.

Four of the seven holding companies have already agreed to regionwide negotiations, with some local clauses, Bahr said. The holdouts are U S West Inc., Denver; Ameritech, Chicago; and Bell Atlantic Corp., Philadelphia. Bell Atlantic, however, is reportedly leaning in favor of regional contracts.

Negotiations may begin locally, Bahr said, but he promises his CWA will hold firm on regionwide contracts.

"There will be no settlement in one [BOC] until there is a settlement in all five," he said, referring to negotiations with the five Ameritech BOCs, which promise to be among the stickiest. Bahr said he plans to keep benefits "as uniform as is possible." At least two years of job security in the belt-tightening atmosphere of layoffs is a priority, he said.

Organizing other telecommunications leaders, like Northern Telecom Inc., GTE Sprint Communications Corp. and MCI Communications Corp., may be the only way to maintain continuity with the pre-divestiture world, Bahr said.

Regarding IBM, Bahr said the company's acquisition of Rolm Corp. and of 16 percent of MCI Communications, putting the multinational giant head to head with AT&T in communications areas, has underscored the union's need for action.

"We will label IBM as the J.P. Stevens of the international telecommunications industry," Bahr said, adding that his target is "one of the most anti-union companies in the world." Stevens was historically noted for its anti-union policy.

Though his announcement was greeted by enthusiasm from the CWA troops, IBM indicated no alarm.

An IBM spokesman dismissed the CWA effort and Bahr's assertions about IBM's attitude toward unions.

"Our employees have never expressed a need to organize," said a corporate spokesman. "We feel our personnel programs and practices are exemplary." IBM does employ union workers in foreign countries where unions or work councils are mandated by law, he noted. However, the company has never faced a concerted organizing effort by an outside organization, he said.

"I don't think we'll get IBM as a whole," said CWA delegate Tom Lewis, an Ohio Bell employee for 15 years. "We may get parts. But I think it's a move in the right direction."

Bahr said he will also call for member unions of the Postal, Telegraph and Telephone International to help attack IBM, drawing from all the countries in which IBM operates.

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VICTOR BLOCK, Washington Editor

Senate subcommittee opens long distance hearings

Two days of hearings by the Senate communications subcommittee on the long distance telephone market got underway with pleas by long distance carriers for help in competing with American Telephone & Telegraph Co. (AT&T). Asking the legislators to exert pressure on the Federal Communications Commission (FCC), they said that continued deregulation of AT&T could drive competing firms out of business.

An AT&T official, commenting on the testimony, said that while other companies sought the freedom to compete, "now that competition is here they're asking for more protection and more restrictions on AT&T." AT&T now faces some 500 long distance competitors, the official said. "In this highly competitive market, AT&T is the only company that faces regulatory barriers."

Along with long distance carriers, the hearings featured testimony by spokesmen for a federal agency, the financial community, a consumers organization and the Communications Workers of America (CWA). Spokesmen for the FCC, the Dept. of Justice, AT&T, GTE Corp., MCI Communications Corp., and other carriers and organizations also are scheduled to testify. Below is a brief resume of testimony by several witnesses during the first day of hearings:

David J. Markey, administrator, National Telecommunications and Information Administration: "In recent years, the companies competing with AT&T in the long distance telephone business have enjoyed increased competitive opportunities. Some companies have encountered difficulties, though this has varied from firm to firm. Indeed, AT&T itself has encountered difficulties maintaining its profits, and meeting requirements for some classes of services . . . .

"We would urge the subcommittee to bear the following points in mind. First, company failures, mergers and consolidations—as well as new entry—usually are indications that a market is competitive . . . .

"Second, we should not lose sight here that our goal is to promote competition, not the commercial fortunes of individual competitors . . . .

"Third, we do not attach much weight to arguments that government must take special actions to prevent 're-monopolization' of the long distance telephone business. Our analysis of costs shows no major area where any one firm enjoys—or is likely to enjoy—a decisive advantage in this sector."

William T. Esrey, president, United Telecommunications, Inc.: "Two policies apparently now being pursued by the FCC are allowing AT&T to selectively drop its prices below cost and, at the same time, causing our own costs to rise precipitously. These two apparent FCC policy predicates are, first, that the expedited deregulation of AT&T allegedly serves the interests of the American consumer and, second, that the Modification of Final Judgment's (MFJ) definition and schedule of equal access implementation are an appropriate plan for the transition to regulatory parity between AT&T and its competitors. United Telecom fears that if the FCC is not made to promptly revise these policies, consumers will lose the low rates, high quality and diverse new services that only meaningful competition can produce . . . .

"Unless the Congress intervenes to compel the commission to fulfill its statutory responsibilities to establish guidelines for the deregulation of the dominant carrier and manage the transition to competition, the competitive interexchange market that the MFJ intended to achieve will never be realized . . . . As a result of the FCC's apparent policies, the public may well be on the threshold not of reaping the benefits of competition, but rather of suffering the consequences of the demise of competition and the re-emergence of a market monopolized by AT&T."

Melvyn Goodman, president of Allnet Communication Services, Inc., and of the Competitive Telecommunications Assn. ". . . current FCC policies not only fail to promote the transition to a competitive market, but actually threaten to extinguish competition in the long distance telephone market altogether . . . . The FCC, in its zeal to push toward deregulation, is dismantling the constraints that prevent anticompetitive behavior by AT&T, long before the environment in the industry permits the other long distance companies any possibility of competing on a fair and equal basis . . . .

". . . the FCC, to judge by recent trends, is not likely to take the affirmative steps needed to promote such competition . . . . I would urge that the members of this subcommittee, as a significant and timely first step, express their concern to the FCC over the potentially dangerous course of events I have described."

Gene Kimmelman, legislative director, Consumer Federation of America: "Nearly 2 years after the divestiture of AT&T, consumers remain confused and frightened about the state of our telephone system. What was once one-stop shopping for telephone service has become a consumer nightmare . . . . Consumers have been bombarded with rate increases and new telephone charges that threaten the availability of affordable phone service for all Americans."

James E. Irvine, CWA: "You are hearing complaints about ever-rising telephone bills, about customer confusion, about deterioration of service. We want to stress to the Congress that imports of telecommunications equipment rose sharply, from 2% of the market in 1982 to 14% in 1984. Divestiture, deregulation and a mindless attitude of 'free trade' have led to this damage to a key U.S. industry."

Irvine went on to cite rising imports as a major reason for the recent announcement that AT&T Information Systems will eliminate 24,000 jobs. The CWA said it will ask the FCC to stop loosening the competitive restrictions on AT&T (TELEPHONY, Sept. 2, p. 13).

Irvine said "a large part" of this job reduction "will result from imports of telecommunications equipment, which should exceed $2.5 billion in 1985." Saying there already has been "devastation" of several U.S. industries, Irvine insisted: "We must prevent the loss of the telecommunications equipment industry. We strongly urge the Congress to adopt new and effective trade policy legislation, to bring fairness into our international trade."

CWA officials have scheduled a meeting with Rep. Timothy E. Wirth (D., Colo.), chairman of the House telecommunications subcommittee, to press their cause. They reportedly plan to ask Wirth to hold hearings similar to those in the Senate but extending beyond the long distance market to eye the over-all impact of deregulation of the telephone industry by the FCC and the AT&T divestiture.

Arbitration set for AT&T, U S West tiff

U.S. District Judge Harold H. Greene has given a green light for arbitration of an American Telephone & Telegraph Co. (AT&T) and U S West squabble concerning cash flow following the AT&T divestiture. The seven regional Bell holding companies (RHCs) last year filed $3 billion in claims that they said they were due under divestiture plan terms approved by Greene. AT&T asked for $659 million based upon the regional holding companies' cash flow increase in the first quarter of 1984.

The counter-claims were founded on the assigned assets and liabilities of each Bell System entity at divestiture. Under the

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ASSEMBLY COMMITTEE
ON
UTILITIES AND COMMERCE
Gwen Moore, Chairwoman

DIVESTITUTE AND TELECOMMUNICATIONS DEREGULATION:
IMPACT ON SERVICE AND LABOR

Museum of Science and Industry
Exposition Park, Los Angeles
October 23, 1985

CHAIRWOMAN GWEN MOORE: We're going to get started. We are expecting some more members to join us. We have a lengthy agenda.

I'd like to introduce at this time to my left, Assemblywoman Teresa Hughes from Los Angeles, 47th Assembly District. Welcome. Thank you for attending the hearing today in which we will explore the impact of AT&T's breakup on telephone workers and telephone customers.

Divestiture, deregulation, modernization, and the introduction of new technology, combined with competition at home and from abroad, are affecting telecommunications service and labor. The long distance and equipment markets are in turmoil. The 75,000 CWA -Communication Workers of America- workers at AT&T are about to vote on a general strike against that company. Consumers report that they still know almost nothing about the telephone industry and the rate hikes that are about to come. Could things be more confused?

Two issues directly concern us. The first is the quality of telephone service. Is the service of the same high quality we came to expect in the years preceding the breakup? Are all consumers benefitting from the changes in the telephone industry? Equally important, is service now available to all Californians at reasonable rates and will it continue to be? What has happened to universal lifeline in California? And, is it sufficient?

The consequences of competition in telecommunications for the telephone workforce, one of the state's greatest human resources, is our second concern. What opportunities are there for employing this very skilled workforce? Are we in danger of wide-scale layoffs deskilling technology?

These are the main issues before this Committee. We welcome your response to the questions we have posed.

I'd like to first take the labor issue and hear from the CWA people. Then, the PUC will bridge the gap talking a little bit about its role. That is my way of welcoming Pete Arth back to the Committee. We will have Pete and Denise Mann do that. Then, we will hear from the telephone companies. We will get into lifeline and the procedures of the PUC. With that, I'd like to start with the CWA representatives, Terry Howard, Janis Wood, and one other representative.

In the absence of Sylvia Siegel, if she doesn't get here, I will represent the consumer.

MS. JANIS WOOD: Good morning. Thank you very much for inviting us here. I'm Janis Wood from CWA. With me is Terry Howard, who is an employee of AT&T Information Systems; and also, Susie Wells, who is a service representative for Pacific Bell.

I want to talk about the questions of general interest that were in the package given to us this morning. Then, Terry and Susie want to talk specifically about issues that affect their jobs.

Your first question was about the impact of deregulation on consumers, workers, and labor. Obviously, everybody has been confused since deregulation, including workers and, certainly, consumers. All telephone workers, in fact, are consumers of telephone companies. We are as interested in consumer issues as we are in employee issues, because both of them affect us.

Since deregulation of the industry, we as workers have experienced continued cutbacks and threats of cutbacks, although, I will say, we have been trying very hard to work with Pacific Bell. They have shown real willingness to work with the employees to avoid cutbacks. Unfortunately, that has not happened at AT&T, which shows no willingness in trying to resolve issues to save jobs.

CHAIRWOMAN MOORE: When you say there has been "a willingness," could you describe that for us? When you say "a willingness," what do you mean?

MS. WOOD: What's happened recently is that the corporate officers of Pacific Bell sat down with the officers of CWA and talked specifically about what could be done to avoid layoffs. We did that in the midst of a rather large surplus. Layoffs were really a big issue at the time we started our discussion. We talked about everything that could possibly be done to avoid layoffs.

CHAIRWOMAN MOORE: In your previous contract, were there provisions in the union contract that allowed you to address surplus employees?

MS. WOOD: There is a formula on how to deal with surplus employees, what rights they have, and who ultimately will be laid off. Yes.

CHAIRWOMAN MOORE: Did that change under divestitute? Or, is it the same? Were they sufficient to cover the union under divestitute?

MS. WOOD: The only thing that changed was recall rights. Recall rights were extended to employees who were split off from the local operating companies and assigned to other companies like AT&T Information. They got recall rights from Pacific Bell.

CHAIRWOMAN MOORE: That relationship still exists?

MS. WOOD: Yes.

CHAIRWOMAN MOORE: Pacific Bell, in essence, could save all 24,000 AT&T employees who are going to be laid off, if it wanted to?

MS. WOOD: Yes, it could if it wanted to. I'm sure it would say the PUC doesn't want it to, but theoretically, it could.

The meeting we had resulted in an amendment to our current contract, which is highly usual. About mid-contract, we changed the rule about surplus. We made some agreements which, I think, benefit employees at Pacific Bell. For example, Pacific Bell won't use contract workers as long as people are threatened with layoffs. Those kinds of things.

CHAIRWOMAN MOORE: Does this benefit the ultimate consumers we are concerned about?

MS. WOOD: We think it does. Even when you lay someone off, there is a price to pay, whether it's a layoff allowance, an early retirement bonus, or whatever it may be. If you pay a layoff allowance to one worker, and then pay a salary to another worker who is a contract worker, that is not cost-effective, in our opinion. You could pay only one person and avoid a layoff. That really would save money in the long run.

The cutbacks we have experienced so far have been tied specifically to budget requirements, rather than service requirements. There have been cases in which work won't get done if these cutbacks are made. Neither company has responded with answers as to what they are going to do.

CHAIRWOMAN MOORE: Give me an example of what's tied to the budget that is not in the best interest of the consumer.

MS. WOOD: Sure. Could I use AT&T?

CHAIRWOMAN MOORE: Sure.

MS. WOOD: In downtown Los Angeles, the AT&T technicians who install and maintain telephone equipment for business customers are working overtime, consistently, everyday. Yet, their force is going to be cut by 68 nonmanagement employees, by 68 technicians, in this round of layoffs, and no one knows who will do their work. We have people who know they are going to be laid off, who are discouraged about coming to work, because they are going to be laid off anyway. The company has informed us that these workers are going to be fired if they do that, because AT&T has too much work to get done before these layoffs come. It can't afford to have anybody not to come to work. Clearly, there is plenty of work to do. People are working overtime, but we are going to have to layoffs anyway.

CHAIRWOMAN MOORE: Are the layoffs permanent?

MS. WOOD: Probably. The people have recall rights for two years. The projection is there will be no openings for the next two years. We did have a layoff last year. Some people were recalled to their jobs, and they are being laid off again.

CHAIRWOMAN MOORE: If you are recalled, are you recalled to your same job?

MS. WOOD: No. You can be recalled for any job that's available, for which you are qualified. In our opinion, California consumers will be hurt by deregulation in the long run, because they won't be able to get quality service. There won't be enough people to provide that service.

As for telecommunication equipment, you know that AT&T has closed plants in the U.S. and opened plants in Taiwan, to manufacture telephone equipment. So far, that hasn't affected us in California, but we expect that it will. In our opinion, there aren't real standards for telecommunications equipment, as there are for electrical equipment. Its now rated on its ability to work with our network, not on its ability equipment to stand up under tough use or perform for any length of time. Electrical equipment has a rating standard that says, "Yes, this is good electrical equipment. You can use it safely and not have to worry if you buy it." There isn't that kind of rating for telephone equipment. People are buying very attractive, fancy telephones that don't work well and don't last more than a few months. They are not going to be able to ship their phones back to Taiwan to have them repaired.

CHAIRWOMAN MOORE: You said it eventually could have an effect on California. Are you saying the equipment made in Taiwan is not as substantial as that made in California? It's probably made from the same specs.

MS. WOOD: We don't know. It just started. We really have no idea what it is going to be like. We know that the telephone equipment that's now imported is not up to our accustomed standards, and that people complain about buying something they assume is going to work and doesn't.

CHAIRWOMAN MOORE: Is there a need to establish standards for telephone equipment in California?

MS. WOOD: I think so, yes. There is also a question whether or not consumers are adequately informed to become smart shoppers. We don't think any of the companies do a really good job of letting people know what is available to them and how to make choices among what's available. As an example, in our local union some service representatives were hired specifically because they speak Korean. But, the only job they were assigned to was sales. They didn't provide service to non-English speaking customers. They call and try to sell to them. That's great if you want to buy something, but if you have a problem, there is no benefit to it.

CHAIRWOMAN MOORE: They don't take service calls?

MS. WOOD: They are not available to take service calls. Our understanding is that the program is going to be expanded for other languages, so that representatives will be able to make sales in various languages, but not provide service in those languages.

CHAIRWOMAN MOORE: Your perception, then, is that the ability to provide service for consumers will deteriorate as long as there is an inadequate response to the consumers?

MS. WOOD: Our concern is that all the focus in on selling. There is no focus on providing service. As long as the attitude is that "we can sell things, and once we sell them, we are not responsible for them," is not good for consumers, and it really is not good for telephone workers. A lot of our work is providing service and maintaining service.

CHAIRWOMAN MOORE: Gee, I'm sorry Sylvia Siegel is not here. Go ahead.

MS. WOOD: There is also a question about equal access. We are very unhappy with the federal decision on equal access. We really think that people assume, if they make no affirmative choice, that there will be no change in their telephone service. As you know, that is not true. We believe that is going to affect our employment, because companies other than AT&T do not provide operator services. A lot of our CWA members are telephone operators. For every consumer assigned to a non-AT&T company, that is a certain job loss for us, and a lower level of service for them: people who most need the telephone operator are the people who are most likely to be confused: people who don't speak English, people who are elderly, and people are handicapped. They're the people who are going to have the hardest time trying to figure out what's happening and how to make their choices. They are the people who really need the extra service provided by AT&T. We don't know what impact they can have on that decision, but we are very unhappy with it. We think that it is not fair to consumers.

As far as lifeline service, Susie is going to talk to you about what service representatives tell new customers calling in, and what their incentives are for lifeline. If I may, let me have Susie tell you what service representatives do, due to divestiture.

MS. SUSIE WELLS: I'm Susie Wells. I'm a service representative for Pacific Bell. During the time I have been a service representative, I have experienced different requests given to me by the company on how we offer service to the customers. I have seen over the last five years, the opportunities for customer-oriented service.

CHAIRWOMAN MOORE: Excuse me. Ms. Hughes has a question.

ASSEMBLYWOMAN TERESA HUGHES: How long have you been a representative for the phone company?

MS. WELLS: Five years.

ASSEMBLYWOMAN HUGHES: What changes are you going to address? How your job has been different since divestiture?

MS. WELLS: Wwe are rated on how services are rendered to our customers. Incentives are being put before the service representatives to offer customers service which likely will not benefit them, but which will bring in more money for the company.

ASSEMBLYWOMAN HUGHES: All right. Give me an example. I am coming in for the first time to apply for telephone service. Would you role play with me what you would say to me as a new subscriber prior to divestiture, and then go through your role as you would execute it today?

MS. WELLS: Prior to divestiture we would introduce ourselves, talk to the customers, and find out what their needs were -- what they thought they would like to have. We would have shown them what services were available and allowed them to pick the services they wished to use.

CHAIRWOMAN MOORE: How much time was allowed to do this?

MS. WELLS: There was not a specific time until closer to divestiture. After divestiture, they allow the service representative two minutes, in which time it is real hard to negotiate and order new service, especially for the residence customers who really don't know what it is they want. They want us to explain everything to them and let them pick out what they want. In addition, we have a great many people in California who are non-English speaking people, and we have a great deal of difficulty negotiating service order with them. It take quite a bit of time. It can be done, but it takes quite a bit of time. We were encouraged to speed things along.

As divestitute got closer, the non-English speaking individual suffered, a victim of whatever we were able to get across to them. They got services, perhaps, that they didn't want, didn't know how to use, and had no intention of getting. All they wanted was a phone.

CHAIRWOMAN MOORE: Let's go back, so we can be clear. Prior to divestiture you could take as much time as needed, to work with the customers and find out what they wanted. You were able to show them and discuss the variety of options that was avilable through the company. Closer to divestiture, there was urging to begin streamlining your sales approach. After divestiture, there is timing on the amount of time you can spend with the customer, and you don't have time to explore all the options. Bilingual people probably suffer the most, because they don't understand. You just sell as much as you can. You get points for selling?

MS. WELLS: Yes, there are incentives. Certain services are "incentive," other services are not.

CHAIRWOMAN MOORE: Give me an example of those incentives.

MS. WELLS: Customer-calling services.

CHAIRWOMAN MOORE: What do you get for selling me custom calling service? I'm a customer and I want custom calling. What do you get?

MS. WELLS: If I sell a quota, the quota that has been set for me, then I get to keep my job.

CHAIRWOMAN MOORE: In other words, you have to sell a certain amount of custom-calling? Is that part of your job?

MS. WELLS: Custom-calling features, custom-calling packages, Touchtone, and measured services to the residential customer, as opposed to lifeline.

CHAIRWOMAN MOORE: What do you get the most points for. Oh, you don't get points?

MS. WELLS: In business, they get points. In residential, it is divided in dollar amounts. They have 162.50-per-day objectives, per representative, in the billing department, which doesn't take service orders. Basically, they sell custom calling, Touchtone, and those types of things on billing contacts. At our end, in ordering where we get the customers calling in to place orders, are our objectives a $112.93 per open hour.

CHAIRWOMAN MOORE: When you say "objectives," it doesn't sound like to have to do it.

MS. WELLS: You do have to do it to keep your job.

CHAIRWOMAN MOORE: Do you know of anyone who didn't, who got canned?

MS. WELLS: We have cases now pending, where people are "on warning." We have suspension cases. We do, I believe, have one dismissal case for sales.

CHAIRWOMAN MOORE: So, it is not a mandate. It is more like, "this is what we would really like to see you do"?

MS. WELLS: It is a mandate. We are being told it has to be done. Not that many people have been suspended as yet, because they have found customers who were not paying attention to the script that they read and they made their sales. Or, they had customers who are non-English speaking and they assumed sales. Or, they just plain cheated to make their objectives.

CHAIRWOMAN MOORE: You are telling me, if you can get into a bilingual household, that you can sell them as much as you possibly can?

MS. WELLS: Unfortunately, that's true.

ASSEMBLYWOMAN HUGHES: How many bilingual representatives are there within an area like, Los Angeles, which is really multilingual? It would seem to me, that they would end up making the most sales. They would be able to readily communicate with many subscribers.

MS. WELLS: Not necessarily. The bilingual households that I was referred to, that the point and/or dollar value are made off of, generally are people who just get their name and address to you. They want to place an order and hope you are only going to give them dial tone. You read the script to them and they say, "yes, yes, yes."

CHAIRWOMAN MOORE: Read the script, just for the heck of it.

MS. WELLS: There are a variety of them. "Although we have a Lifeline service available for a qualified household, let me start by explaining the packages which are popular."

CHAIRWOMAN MOORE: If I call you and say I want Lifeline, I want the Moore Act, is this what I get?

MS. WELLS: You are going to get the script.

CHAIRWOMAN MOORE: All right. Let's role play this a little bit. "Hello, I would like to have Lifeline service."

MS. WELLS: "Okay. Well, there are certain qualifications for Lifeline service. Let me go through what all of our different packages are available and then we will see..."

CHAIRWOMAN MOORE: I don't want to hear that. I want Lifeline service.

MS. WELLS: Well, you are still going to hear the script.

MS. WELLS: You see, service reps have been trained to control contacts.

CHAIRWOMAN MOORE: Oh, well, control me. "I want Lifeline."

MS. WELLS: "Although we have a Lifeline service available to qualified households, let me start by explaining the packages which are popular. If one of these packages appeals to you, then great. If not, we will talk about..."

CHAIRWOMAN MOORE: "I just want Lifeline. I heard about you guys. You just want to sell me anything and everything, and I don't want anything and everything I just want Lifeline service."

MS. WELLS: And then we start reading the rest of the script. "The first is a premium package, which is $22.50 a month. The next is the economy package, which is $18.40 a month. Both of these packages includes standard Touchtone lines, which means you can plug in either pushbuttom or dial phones. They are both single party services, so you are not sharing a line with another family. They both include the ability to answer a second call while you are talking; to forward your calls to another number when you are not home; automatically dial your emergency or frequency call numbers; to put a call on hold and call out; and even to have a three-way conversation, if you like. And, a 20 percent discount on service-area calls, Mondays through Fridays, 12 noon to 2 PM and from 9 PM to 11 PM, as well as all day Saturday and Sunday. This discount is over and above the normal discounts that apply.

"The basic difference between the two packages is that the premium package, for $22.20 gives you unlimited calls, and the economy package at $18.40, gives you a measured rate service with a $3 allowance toward your Aone 1, 2 and 3 calls. Which do you think would be the best for you, the premium package or the economy package?"

CHAIRWOMAN MOORE: "Lifeline."

MS. WELLS: You see, you are not our average customer. Our average customer, by the time the script is read, have already forgotten about Lifeline service. They are wondering about all of these wonderful things that make your phone do everything except get up and walk around the room. That's great, except not everybody needs those things. The customers don't know that those two packages encompass a variety of services that are actually optional. You don't have to have all of those services if you don't want them.

CHAIRWOMAN MOORE: Is that the script that you give to anyone who calls for Lifeline?

MS. WELLS: Yes. There are other scripts you are going to here on the order side. On the billing side, customers don't call in and ask for Lifeline. They usually call in to talk about their bills. Then, you go into, "Oh, I see on your records here you don't have any of our custom-calling features," or whatever the keyword is at the moment. It changes frequently. Then, you offer it to them. One of the things being done both on the residential and the business side is offering the customer a four-feature custom-calling package, so that they can try all four features. They object. One of the ways to overcome objection is to say to them, "well, why don't you try it for 30 days?"

CHAIRWOMAN MOORE: Suppose I call and I'm delinquent on my bill?

MS. WELLS: I'm still going to try to sell you something.

CHAIRWOMAN MOORE: But if I haven't paid you?

MS. WELLS: I make payment arrangements on the bill, sell you a four-feature custom-calling package, and get off the line.

CHAIRWOMAN MOORE: Even if my credit is bad with you, can you still sell me some of this stuff?

MS. WELLS: I used to be in billing. I use to be a universal rep and do both sides. Then I went to the billing side when we split. I was thinking that I wouldn't be forced to sell. I believe in offering people the opportunity to buy things that they want. I don't want to shove it down their throats.

ASSEMBLYWOMAN HUGHES: Speaking of shoving it down their throats, Madam Chair, I have had constituents complain because a representative called their home to try to sell them call-waiting. Someone who answers the phone and says, "Oh, gee, that sounds like a good idea." You do not check to find out whether this is the name of the subscriber or not. Any warm body who answers the phone that sounds like an adult and says, "Yes, I'd like to try it." Then, when I get my bill, I find out I am being charged for a feature that I never consented to. Is that the way you guys make up your assignments?

MS. WELLS: There are persons who are assigned to call customers.

ASSEMBLYWOMAN HUGHES: To do exactly that.

MS. WELLS: Yes, Madam. That has been done to members of my family.

ASSEMBLYWOMAN HUGHES: It has been done to me and I stopped it. I don't know why the company doesn't direct you to make sure that you are speaking to the person whose name the phone is in.

MS. WELLS: The people who are doing "cold calling" are told to gain authorization from an adult member of the family.

ASSEMBLYWOMAN HUGHES: How can you tell who is the adult member of the family? Do you have a way of seeing their birth certificate, on video or something, when you pick up the phone?

MS. WELLS: You are absolutely right. That's ridiculous.

CHAIRWOMAN MOORE: I think that is a very good question to ask Pacific Bell.

MS. WELLS: We don't like it, because it has happened to our families too. But, that is what we have to do. I was saying a moment ago, we offer "try it for 30 days and then give us a call if don't like it, and we will adjust the installation charges." The customer believes we will adjust the charge. What we will adjust is the $6.00 to put it in, but that monthly rate of $12.00 is not coming off.

MS. WOOD: If you wait more than 30 days, you won't get the $6.00 back, either.

MS. WELLS: Many times customers find things on their bills in which they have no idea they ordered. Chances are they probably said, "Well, maybe sometime in the future." Or, maybe they didn't say anything. The service rep said, "I can have that working for you in a few days." The customer doesn't say anything, so the service rep sends the order out. The customer gets the service and when the bill comes, we get the calls.

These are things that are going on. I believe it is bad for our consumers. The objectives that are being put on the service reps to maintain their jobs are causing this. If we could provide good customer service to our customers, offering them everything in the world, and let them choose what they want, the customers would be happy. The service rep's would be happy. The company would still be making good money.

I don't know how the company can say that they like the way we are selling. Tthe revenue comes in, but then, a month later when the bills come out and the customers realizes they have something they didn't want, we turn around and adjust it.

CHAIRWOMAN MOORE: Are you penalized when someone comes in the next month to say, "I didn't order this?"

MS. WELLS: In the past, we have not been. I heard rumors that, in the future, if the sale doesn't set for a certain amount of time, it's taken off your account. If you don't maintain your quota, then you are put on warnings, suspended, and all these wonderful things.

CHAIRWOMAN MOORE: Is this only in your office or is this company-wide?

MS. WELLS: No, this is company-wide.

CHAIRWOMAN MOORE: Thank you very much for your comments? Terry Howard?

MR. TERRY HOWARD: My name is Terry Howard. I work as a system technician for AT&T Information Systems. I am on the opposite side of the fence from the business office. This business has changed since divestiture in two ways. First, on a professional level, we have, ever since divestiture, seen a decline in employee morale. The job is no longer secure. We had layoffs last year. After a strike and a new contract, in which we were striving for job security, one of the issues which most concerned us at that time, we lost jobs. The job I was doing 6½ years ago with Pacific Telephone, which was thought to be a secure job, no longer exists. We are faced again, this year, with more layoffs. I personally am at risk being laid off. The attitude that most of my fellow employees have now is, The company doesn't care that much about us. So, why should we really be overly gung-ho for the company?" The company's attitude is, "We need to sell." We are now faced with quotas. We, technicians, installers, and repairmen, as of last year, are also becoming marketers. We go out and try to make sales referrals to our customers. In the beginning, it wasn't that bad an idea. We felt if it could generate revenue, fine. But then, it was posed to us, "Okay, you will <u>have</u> to do this. You will to make five referrals and three sales per month per technician, as a quota."

CHAIRWOMAN MOORE: Wait a minute. When you go out and repair my phone, are you a telephone repairman or what?

MR. HOWARD: I install everything.

CHAIRWOMAN MOORE: So, you come out to my house. How does it now differ? You used to come out and work on my phone and stay all day. Can you still stay all day? I mean, I waited for you all day. Then, you called saying you couldn't make it, because you were tied up on other jobs all day.

MR. HOWARD: Right. That's changed in a sense -- in a couple of ways, actually. Now, in addition to going out and doing installation or repair work for you, I'm going to try to sell you something. I am going to say, "By the way, I noticed you don't have any extensions in your other rooms. Don't you think it would be a good idea to have some?" Or, "Have you ever considered automatic dialing?" I would try to sell you some kind of equipment or at least make a referral. In terms of the length of time, they started something, in the last year called "standard work time," as opposed to "actual work time." Somehow, figures were obtained for a standard work time to install various pieces of equipment. They were measured against our actual work time. In the past, before divestiture, where it took us "X" amount of hours, however long the job would take, it was completed. Now, if it takes over what is generally allotted for that standard work time, then questions are asked. That comes into play in our reviews. If we aren't meeting that standard work time, then we are considered to be unproductive.

CHAIRWOMAN MOORE: First of all, it is hard to get you out. You are not going to come unless I can guarantee it is in my phone Once you come out, what you are telling me, is that there is a certain amount of time allocated to do a certain whatever.

MR. HOWARD: Not so much on the repair side, but on the installation side.

CHAIRWOMAN MOORE: Is there a category known as a difficult standard? Maybe you have to punch through something in order to install. Is time allocated to do that?

MR. HOWARD: No. I guess they took an average. I don't really know where they got the figures from, but the figures allocated for standard work time really aren't realistic, in many cases. If all you have to do is walk into a business and plug in a phone (the cable is there, the equipment is there, everything is ideally in place), then you might make that standard work time. But if you have to run a cable for a long distance, go through different walls, go through a ceiling, or there are unforeseen road blocks, then you are not going to meet that standard work time.

ASSEMBLYWOMAN HUGHES: What incentive is there for you to sell a customer another service, other than what they ordered?

MR. HOWARD: They have something that is called "credits." We get "award credits" for every sale that goes through. It really is a joke to us, the technicians. We sell someone a system that will generate thousands of dollars in revenue to the company, and we get, say, 3,000 award credits.

You can trade for these credits. Three thousand credits buys maybe one sock of a pair of socks. It's really, kind of ridiculous.

ASSEMBLYWOMAN HUGHES: But, it is coming closer to Christmas, and if you want to do some easy Christmas shopping, then you are going to be more motivated to get some of these award credits, right?

MR. HOWARD: No.

ASSEMBLYWOMAN HUGHES: No? I see some people saying yes and some people saying no.

MR. HOWARD: I work in the field, and the people I work with, my co-employees, are not motivated by these credits at all. If the opportunity presents itself to make a sale or a referral, then we will go ahead and do it. But the credits to us are no incentive at all.

ASSEMBLYWOMAN HUGHES: Now, if you convince me, when you come out to install my phone, that I need some extra or unique type of service, do you not have to come back, or can you install that right then and there?

MR. HOWARD: It would depend on what exactly I was going to install for you. If I had the equipment with me, and I could make an arrangement with the marketing office, then, yes, I could install it on the spot.

ASSEMBLYWOMAN HUGHES: You would call back the marketing office as soon as you connected the phone and indicate that I want the "mink-line phone" or whatever it is that your are selling me, before you actually installed it?

MR. HOWARD: Yes. That generates another service order for your additional installation.

ASSEMBLYWOMAN HUGHES: Thank you.

CHAIRWOMAN MOORE: Let me ask you something. That sounds fair to me. A lot of companies in sales give people bonuses or incentives. That sounds like a fair incentive to get you going. The thing that concerns me is if it is tied to keeping your job. As a bonus to get you motivated, to do what is over and above the extra call to duty, it sounds to me a pretty fair incentive.

MR. HOWARD: The idea is fair. It is just the actual incentives. The award credits themselves really have very little value. A few of the employees who are very good salesmen and who have very good opportunities to make sales wind up getting a very small reward relative to the amount of revenue they are generating. They're not comparable.

CHAIRWOMAN MOORE: You are saying you are not selling a bunch, but if you had the opportunity, you would. It sounds like your concern is that some may have more opportunities to sell because of the kinds of installations they get, as opposed to the value of the service to the customer.

MS. WOOD: May I say something? Terry said something earlier that I want to reiterate. What's happening at AT&T is the same thing that happened at Pacific Bell. That is, first you get a prize. You may get lunch. You get something. Then, if you can build up points, you can get a big prize. Then, you have quotas. Then, if you don't meet the quota, you can be fired.

CHAIRWOMAN MOORE: We lost that. That is what I was asking you.

MS. WOOD: Now the quota is 5 referrals that result in 3 sales, per month, per technician.

CHAIRWOMAN MOORE: If you don't do that, what happens?

MS. WOOD: We don't know what happens if you don't meet the quota.

MR. HOWARD: Originally, it came out as an official directive. "Each technician will make 5 referrals, 3 sales per month." We fought against that and it was reworded to indicate, that this is not something mandatory, that you have to do, but it will be taken into consideration on your review.

ASSEMBLYWOMAN HUGHES: Would your success making those additional sales have to do with the geographical areas to which you are assigned? How do you say to your employer, "I represent a very poor working- class community. I represent Teresa Hughes' community, as opposed to Gwen Moore's. In Gwen Moore's community, I can sell more equipment and more services." How do you get around that? How do you keep any security as a technician?

MR. HOWARD: You don't.

ASSEMBLYWOMAN HUGHES: You are geographically redlined in terms of what you're able to produce. So, chances of your having employment security are much less than someone who works in Gwen Moore's area. Right?

MR. HOWARD: Well, I can't speak for all of Los Angeles, but at least in my area, we have certain individuals who have a greater opportunity to make sales than others. In fact, where I used to work, at Transamerica, there really was very little opportunity to make a sale. Everything was handled on a corporate level. They made the decisions on that level. To go into a department and try to sell them a speaker phone, for example, is impossible. Individuals who work in the general business area might have a good opportunity on, say, this side of town. Other individuals wouldn't have as much opportunity, because of the financial capabilities of the consumers. My bosses me and have told my coworkers, "Just keep trying. Somebody is going to buy something." It is not taken into consideration the difference.

CHAIRWOMAN MOORE: There is an article in today's Times regarding the AT&T proposal to lay people off. It says that, more than 1,300 California jobs, the highest total for any state, are to be eliminated. AT&T is saying there is no work to be done, on the information side. Is that your perception, that there is not enough work to go around and layoffs are necessary?

MR. HOWARD: I don't believe so.

CHAIRWOMAN MOORE: If you are continuing to make referrals, it would appear to me that there would be growth.

MR. HOWARD: As a matter of fact, we had a meeting with our new executive vice-president, Norm (McCavie), and he stated that sales seemed to be improving. We seemed to be landing large contracts that would guarantee work for people in the coming year. My opinion is that downtown Los Angeles, where I work, is always going to be busy. There are certain periods of the year where the work slacks up a little and then it picks up again, which is normal in most businesses. We have five people in my garage scheduled to be laid off, with another 13 at risk. If we lose those people, I don't see how we can function as a professional unit.

CHAIRWOMAN MOORE: Have you cleared up the backlog that AT&T had in terms of installations? Have those been cleared up?

MR. HOWARD: I believe so. I'm really not certain.

CHAIRWOMAN MOORE: Well, AT&T can tell me that. Do you have any other comments you would like to make?

MR. HOWARD: I'd like to say one last thing, in terms of the impact on me. I mentioned the professional impact. My personal life has also been affected. My homelife has been affected. The lack of security in the job has made it pretty difficult to decide whether or not I want to purchase a home. I'm trying to be come a first-time homebuyer. I have a wife and a child and I'm ready to buy a home for the first time. The insecurities regarding the job make it hard to take that first step. It would be awfully difficult to get started purchasing a home and then, a couple of months down the line, no longer have a job and an income.

CHAIRWOMAN MOORE: Are the layoffs that quickly determined? Can you come to work today and be laid off tomorrow?

MR. HOWARD: We were notified some time ago that there would be layoffs. The five individuals in my garage have been notified that they would be laid off.

CHAIRWOMAN MOORE: Is that on the basis of seniority?

MR. HOWARD: Yes. Thirteen other individuals, of which I am one, were put at risk. We are not going to be laid off per se, but if another individual with more seniority wants to come and work in my location, I could be bumped out. I can lose my job.

CHAIRWOMAN MOORE: Wait a minute. Does that mean that an operator could bump you?

MR. HOWARD: No. My replacement would have to be qualified for the job. What I am referring to is technicians, in the same job title, who would be in danger of being moved from their work location.

CHAIRWOMAN MOORE: So, anybody in Los Angeles could bump you off?

MR. HOWARD: Any technician who would want to come into my job area because of seniority.

CHAIRWOMAN MOORE: In the Los Angeles area?

MR. HOWARD: Actually, in Southern California.

CHAIRWOMAN MOORE: San Diego?

MR. HOWARD: Yes.

CHAIRWOMAN MOORE: Could you be made to relocate?

MR. HOWARD: I could, yes. As a matter of fact, we now have a technician in my garage who came from San Diego as a result of the last layoff.

CHAIRWOMAN MOORE: Okay. Are there any other comments you would like to make?

MR. WOOD: One more quick one. I think a lot of our problems are not because of what is being done by management, but because of the impact of technology. When you take all the confusion that we have had due to deregulation, and then you throw on top of that technology that is increasing at an incredibly rapid pace, it is driven even harder. We have incredible confusion and insecurity. We would be very happy if there was some way to look at technology and make sure that it really does benefit consumers and employees, rather than just stockholders. It seems as though the only people who are considered when technology is being introduced is stockholders. We think there are two other parties who are important.

CHAIRWOMAN MOORE: Give me an example.

MS. WOOD: For example, adding to add digital networks in every exchange. Right now there are exchanges that simply can't hold more customers than they have. For instance, Century City it is considered a blocked exchange. There is no room for anything else there. Let's take the revenues by providing service in Century City, rather than upgrading an exchange that has most residential customer, and giving them additional network which isn't going to help them a whole lot.

CHAIRWOMAN MOORE: You are saying that putting a digital network where the capacity is not complete is not a service to the person. But you get better service. You get faster service, a lot of things you can do with the network.

MS. WOOD: Let me say this: as soon as everybody who wants service in Century City can get service and it is time to do something else, then it's fine to put in a digital network. But, if you have people who can't get telephone service because we are off somewhere else putting in an digital network, I don't think that policy benefits consumers generally, and it doesn't benefit us.

CHAIRWOMAN MOORE: One last question. I did hear from some of the other telephone companies of the things that they're doing. You are representing these two, and I am not sure exactly where they stand. As they begin upgrading and moving to digital, are they using your people? Are they retraining and using your people to work in these offices?

MS. WOOD: Sometimes.

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CHAIRWOMAN MOORE: I mean if you drop from 30 to whatever it takes to run it, are the 30 a part of the people who come back and run those offices?

MS. WOOD: Sometimes, yes; sometimes, no. For instance, the people who worked on electrical mechanical switching equipment do not necessarily get to work on electronic switching equipment, because the company has split them into two separate work groups. You may not get the opportunity to be trained on the new equipment, because you happened to get stuck with the old equipment. Somebody had to stay and maintain it until it was replaced. The new people were hired and trained to work on the new equipment. So, those other people may be laid off and the new people could stay, because the old people were needed to keep the old equipment running.

CHAIRWOMAN MOORE: But, basically it is the same job. They would be more qualified and have more seniority and they could just bump the new people.

MS. WOOD: We think it is the same job, but the company says it is not. Since deregulation, of course, we get equipment from all different companies. The company would prefer to use employees of those companies to work on that equipment rather than us, because those employees don't have to be trained. For instance, in the past any new central office equipment would come from Western Electric, and we were trained on Western Electric equipment. Now, it may come from Northern Telcom. Rather than train us to work on Northern Telcom equipment, it might be cheaper for them to contract that work from Northern Telcom.

CHAIRWOMAN MOORE: And then lay off the people who were doing it at Pacific Bell?

MS. WOOD: We are starting to see the same thing at AT&T. They do not want to train people on new equipment. They would rather contract the work to small companies and lay off at AT&T.

CHAIRWOMAN MOORE: Is that more efficient?

MS. WOOD: Well, I don't know. It depends. Do you think it is more efficient to have a constantly circulating workforce that you can move from one place to another, that does one specific thing and can't do anything else? That you don't control, that another employer controls? There are a lot of pro's and cons to it. We don't think it is more efficient, because we don't think that these contracting employees understand the whole business and can work with the other departments they need to work with, to deal with all the different problems that they need to deal with, to interface with each other. We don't think they can do that. We don't think in the long-term they're more efficient, although in the short-term they may be more efficient. We have a real stake in a long-term career and they don't.

CHAIRWOMAN MOORE: All right. Are there any other questions? Thank you very much for your participation. It was very informative. All right. Peter and Denise, you're on.

MR. PETE ARCH: Good morning. Thank you very much for the invitation to appear today. Mr. Vial very much wanted to attend, but wasn't able to make this session. I appreciate the personal welcome back. I am glad to be here again. I am grateful for your description of our presentation.

CHAIRWOMAN MOORE: Please identify yourself for the record. You have been away too long.

MR. ARCH: My name is Pete Arch. I am representing the Public Utilities Commission. With me is Denise Mann from the policy and planning division. I am particularly grateful for the description of our presentation as a bridge; too often, the commission has been accused of being a wall or black hole in terms of resolving telecommunications issues which have risen over the past. The issues focused on this morning, the impact of changes in the telecommunications marketplace on labor and consumers, are particularly provocative. I am going to let Denise handle most of the specific questions. With reference to the first panel of speakers, from the Communication Workers, I think it is important to look at the jurisdiction left to the commission, as these changes occur, in terms of more capital equipment, and how that bears on labor, deregulation, and on rates. The last speaker, Mr. Howard, from AT&T-IS (Information Service), is mostly in the business selling of communications equipment. That has been largely deregulated by the FCC and the state regulatory commission. The influence that the PUC process would have on his particular concerns is minimal.

You are going to hear from long distance carriers other than AT&T. The FCC allows them a different level of regulation. Because it is less than the full-blown rate case type of review, there is not as extensive jurisdictional ability by the Commission to look at the impact. With that observation, I would like to turn to Denise for the questions of particular interest: the labor-related impact, and further implimentation of the Moore Universal Telephone Act.

CHAIRWOMAN MOORE: Thank you. Welcome back.

MS. DENISE MANN: Denise Mann. The Commission has not often been involved in labor-related issues. In most of our preceedings where it has been an issue, we have been very concerned with the ability of the phone company to provide the service that is expected by the consumer, and the ability of the company to maintain equipment at high levels of quality. One thing we have realized is that level of quality and the type of service wanted by the consumer has been changing, as a result of increases in technology. One of the things the Commission discovered when we did our study of bypass, was that many consumers had chosen a carrier other than AT&T for non-price reasons. They changed their services or bypassed the switched network because they were concerned about quality of service, dependability, and the different types of services that were available on a particular network.

CHAIRWOMAN MOORE: These are business customers?

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MS. MANN: Many of them are business customers.

CHAIRWOMAN MOORE: Most of them.

MS. MANN: Okay. The people who bypass Pacific Bell are mostly business customers.

CHAIRWOMAN MOORE: There was a study recently commissioned by the independent telephone companies. In that survey there is a copy of a newspaper article. In that study, apparently, there was a feeling that 68 percent or 66 percent of customers felt that the quality of service had not changed. There was no indication whether these people had any dealings with the telephone companies post-divestiture. If they hadn't had any dealing, they don't know how bad it is until they really try. I would assume that the people you talked to actually had some dealings; it might be a more sophisticated or better sample, in the sense that they would have had some knowledge of divestiture. What you are saying to me is that a lot of them felt that the quality is not the same.

MS. MANN: They were concerned about the quality of service and their ability to choose. But, on the residence side, we also found, and this is very important, that, unfortunately, the residential custmer doesn't have a choice. Two years ago, we did a study of General Telephone's quality of service, because there had been some problems and complaints in some areas. We also did this with some of the independent telephone companies. We send some engineers out to interview people. They do mailing.

They go through a list of points. They set the typical complaint response time, a typical amount of time when the customer does not has service or have very fuzzy or low quality service. In the rate case, we ordered the phone company to improve its quality of service. We said, "These are the goals we are going to give you. You have to decrease the amount of time that the person's phone is down to such-in-such number of hours."

I know, with General, they were very good about trying to comply, upgrade their equipment, and bring the people on, to do that. Inasmuch as labor problems affect service, we are very concerned about service.

CHAIRWOMAN MOORE: When does the PUC take this action?

MS. MANN: When we have customer complaints.

CHAIRWOMAN MOORE: In other words, it depends on the impact of the service.

MS. MANN: Right.

CHAIRWOMAN MOORE: You've got a PacBell rate case pending now. Will you be looking at the service aspect as a part of that ratecase?

MS. MANN: The service aspect in the Pacific Bell rate case will be in Phase Two.

CHAIRWOMAN MOORE: You are still in Phase One.

MS. MANN: We are still in phase one. Phase one is through the end of this year, and phase two is in the spring of next year. At this point in time the only service aspects we are looking at are those relating to lifeline service and those characteristics of service that Sylvia Siegel is always concerned with, a range of choices for the customer. We have rate design people on staff who are working to come up with more types of rate design, something besides just lifeline, measured, and flat rate. I know Pacific Bell has come in with proposals for a different portfolio of services.

CHAIRWOMAN MOORE: The CWA representatives talked about the trade-offs between efficiency, modernization and reduced operating costs. Will that be a part of Phase Two or Phase One?

MS. MANN: The aspects that we oversee in the rate case, that involve more long term employment and productivity increases, are covered in Phase One of the regulated operation portion. Basically, the telephone company comes in and makes its case where these operating costs are at this time. They may claim, "Well, we have had these productivity increases, which have reduced our cost" or, " We have had these new services set up," or, "We have had this new capital equipment put in. These have increased our costs." I know that one of the issues in this rate case is digitalizing of the network. They do want to switch out lot of old equipment. Some of it is already at the end of its useful life, and they would like to put in digital equipment.

CHAIRWOMAN MOORE: You don't care how they do it and at whose expense, as long as it going to improve the service? You would not look into the impact on labor, because that would be a management decision.

MS. MANN: It seems like it would be a management decision, as far as the trade-offs are concerned. We have to look at the eventual rates to the consumers and who is going to pay for the improvement in service. Of course, it is going to cost more, because there are levels that we will not let service fall below.

CHAIRWOMAN MOORE: I am particularly interested in the lifeline discussion. We will hear from PacBell and General if what we heard is quite accurate. I guess I'm concerned that the PUC would get involved only if there were consumer complaints regarding the manner of marketing.

MS. MANN: Quite frankly, I am horrified at how someone calling in for lifeline would be treated. I know that the commissioners are not aware of this.

The commissioners, in March 1985, when your bill change lifeline service was still pending, had to look at the tax rate, because they are mandated to do that on a yearly basis. They kept the tax at four percent for two reasons. One, they said they wanted to provide funding for statewide marketing outreach, because there are obviously a lot more eligible people out there who do not know about lifeline. The second reason, of course, was to maintain a level of service so people could be served.

CHAIRWOMAN MOORE: If they are aggressively marketing against lifeline, there may be those who know about it, who attempted to get it, and who were denied that opportunity because of the aggressive sales force. I think that is an issue that I would really like resolved, particularly when we see that it serves only half the people it was projected to serve.

MS. MANN: This is an issue being rolled into Phase Two of the PacBell rate case.

CHAIRWOMAN MOORE: Why Phase Two? Why not Phase One?

MS. MANN: Basically, because Phase One deals with the revenue requirements for PacBell. Phase Two includes a lot of fine-tuning. Things like rate design, policy decisions...

CHAIRWOMAN MOORE: (Interrupting) The revenue requirements may be different if we had some idea of what was happening with Universal Lifeline. I would appear to me that it should be in Phase One and the level considerably increased. You could double it. Even PacBell's own projections were of, least the ones they gave to me. They don't tell me everything, but at least those were off. You are saving it for Phase Two which I don't understand. Why not a generic look at it, anyway? I thought we were going to revisit it and take a look at it after the study came out. You have already done the study. It is already available. It would appear to me we should talk to the commissioners about trying to take a look at lifeline. Didn't you start with an OII?

MS. MANN: There was an OII with three days of hearing. Then, that was closed, pending your legislation, because our expectation at that time was that our lifeline offering would conform with your bill when it was passed out.

CHAIRWOMAN MOORE: In AB 549?

MS. MANN: Right. When AB 549 was vetoed, all of the issues had not been dealt with, because the only things that were decided at that time were a request for the telephone companies to advertise and keep the tax at four percent. So all of the other issues, we said, go into the PacBell rate case now.

CHAIRWOMAN MOORE: Lifeline problems are statewide, and not just limited to PacBell.

MS. MANN: It does impact everybody. They will be involved in those aspects during their rate cases, but the PacBell rate case is coming up first. General is coming up last.

CHAIRWOMAN MOORE: Well, it would appear to me that the appropriate thing is probably to reopen the OII. I can't get over the PUC being so kind. You never were before. I am very interested to find out you did not reopen that OII after completing the work prior to that.

MS. MANN: Well, if that is a high priority for you, then I think the commissioners...

CHAIRWOMAN MOORE: I am just shocked to hear some of this aggressive marketing. If indeed this is the way it is done, is there a way that the PUC can look into the sales approaches which are used by the telephone companies? They seemed to me somewhat unethical. We don't know if this is true, obviously.

MS. MANN: I don't see why we can't, because we certainly look at the way billing inserts are worded. We mandate a certain kind of information. We say, "No, you can't do that for 60 days and you have to provide a certain kind of notice." It seems that we should be able to do that when someone is selling something on the phone. They are required to say you have the right to request...

ASSEMBLYWOMAN HUGHES: Among the constituent complaints that I have been given is that some adult other than the customer or some other person picks up the phone and says, "Gee, that sounds good," and the next thing.... Many of my constituents don't feel that they can get out of an agreement. They feel it is a hassle to go to the phone company; particularly if they are working, they don't have time to do that. And, often times, you can't get the satisfaction you need over the telephone. I would hope that the PUC would seriously look at that. I think there is nothing wrong with them selling that service over the phone, provided that they're sure they are selling that service to the subscriber of record. Would you please look into that?

MS. MANN: Yes.

ASSEMBLYWOMAN HUGHES: Thank you.

CHAIRWOMAN MOORE: Does the PUC request and get information regarding the number of people who reject service, on the basis they didn't order it in the first place?

MS. MANN: Certainly.

CHAIRWOMAN MOORE: Could you do that for us? All right, are there any other questions? If not, we thank you, Denise, good job. Pete, welcome. Next group: George Schmitt, John Jensik, Robin Quiroz, Robert A. Ringman, Larry Kamer and whoever is AT&T.

I thought I would start with the labor issues first. Why don't we start with the two local companies and then go to the long distance companies. Then, we will go to lifeline. We are just going to talk about the issues. It should be easy. First?

MR. GEORGE SCHMITT: Good morning, I'm George Schmitt. I am executive director of planning for Pacific Bell. Thanks for inviting us here this morning.

Let me start by saying that in Pacific Bell, over the past few years since divestiture, there were a total of 840 people laid off out of the force of about 77,000 that we started with in 1/1/84. Of that number, fewer than 600 remain...

CHAIRWOMAN MOORE: Wait. Let's go back to 3/1/84. You were at 96,000 to 98,000.

MR. SCHMITT: Around 100,000. The difference between that number and the number we had at the time of divestiture represents those transferred to AT&T.

CHAIRWOMAN MOORE: Are they working at AT&T?

MR. SCHMITT: Yes. They were not laid off, although they may be laid off now, based on what I heard this morning and what I read in the paper.

We have fewer than 600 of our employees currently still on lay-off in our business, which is well under one percent of our current employment. And of that 600, the vast majority of them were given the opportunity to either take different jobs at lower pay in their home communities, or to move to other communities in the state for the same kind of job. They're primarily in the rural areas and that's understandable.

CHAIRWOMAN MOORE: What happens to those? Are they gone forever?

MR. SCHMITT: No, they are not. They have recall rights, if jobs become available. Odds are, in some of the smaller communities where we have laid people off, there will not be jobs. The movement of the population to the rural communities, in Northern California particularly, has slowed down very dramatically over the last five years. It has really cut back on our need to provide new services for new customers up there, because there are no new ones.

CHAIRWOMAN MOORE: Explain to me why management is bringing in new people. Are they less experienced and less costly than old employees who maintained the old system, these new people on the new systems?

MR. SCHMITT: I heard that allegation made a little earlier this morning, Assemblywoman Moore. That is simply not true. We do not bring in people off the street to take jobs in Pacific Bell. We have a very strong policy and continue to use our own people. I was a division switching manager in a prior assignment. e went through substantial cut-overs from electro-mechanical and step-by-step equipment to electronic equipment in San Francisco. The management plan for that entire transition was to move people progressively to different jobs, and to upgrade those who were capable and wanted to be trained on the new technology. That remains our business policy.

CHAIRWOMAN MOORE: I wouldn't take lightly people coming in and making those kinds of accusations. We have listings. We can tell you some places where this has occurred. Somebody can take a look at it and get back to me your reaction on it.

MR. SCHMITT: That would be helpful, where we have done that.

CHAIRWOMAN MOORE: All right. Go ahead.

MR. SCHMITT: As far as job security, in general, there is concern is our company. We, with the union, have renegotiated a security agreement this past summer that I think is landmark in our industry. We have not guaranteed the people lifetime employment, but we have guaranteed that, as we are moving through our business, when our business is bigger or smaller, that we will take every step to avoid layoffs. That includes removing contractors who do work from us, and allowing people to take those jobs, reducing overtime, and allowing job sharing to occur between our employees. We set up what are know as "common interest forums" in different parts of the state, where the local union officials and the local vice president of operations deal together on how to avoid those issues. The problems that some of the other businesses in our industry are faced with today could be mitigated if they took a different approach, similiar to the one that we have at Pacific Bell.

CHAIRWOMAN MOORE: I have heard some things about what General is doing.

MR. JOHN JENSIK: Good morning, my name is John Jensik. I am the revenue director with General Telephone of California. I can cover the labor issue with respect to General at a "glossy" level, and if there are specific questions, I have somebody with me who can help out.

In general, deregulation, mechanization, and technological progress has caused us, as it has caused many other telecommunications industries, to require less labor-intensive workforces. So far, we have been able to do that without layoffs and through retraining. General Telephone is very committed to that idea. At present, we see no need for layoffs within GT through the end of 1986. We continue to be committed to the idea that through attrition we can work with the people that we have.

CHAIRWOMAN MOORE: Let me go back to PacBell. Are you doing any retraining?

MR. SCHMITT: Yes, we are. As we cut divisional networks, we are retraining our employees, to the extent that we need them, to be able to work on the new digital-technology switching and also in the inner office.

CHAIRWOMAN MOORE: For the most part, as far as you are concerned, PacBell has given it old employees a chance to retrain, rather than hiring people off the street?

MR. SCHMITT: In fact, we hired fewer than 200 people this year for any job, anywhere in the state. During that time, our total force has gone down about 3,500 to 4,000 people, without layoffs.

ASSEMBLYWOMAN HUGHES: Who makes the decisions, whether it is PacBell or General Telephone, as to which employees are chosen for retraining? Could you answer that for me?

MR. SCHMITT: Yes. Generally speaking, if it is a brand new technology, we test people in similar jobs. For example, someone electro-mechanical switching today would be tested to see if he could qualify for a job in new electronic technology. It goes by seniority from there.

ASSEMBLYWOMAN HUGHES: Is the same thing true, General Telephone?

MR. JENSIK: I really can't answer that, specifically. I do know that as jobs become available in new areas, employees are made aware of those jobs -- where they are available and what technology is involved. They can express whether they are interested or not.

ASSEMBLYWOMAN HUGHES: Back to PacBell. I visited, not too long ago, a switching station in San Francisco, and spoke to one of your supervisors at the switching station. He indicated that it was up to him to select those individuals who are retraining, for upward mobility. Is that not generally the way your phone company operates for the benefit of your fair-haired boys and fair-haired girls, who are the apples of the eye of their immediate supervisors? When opportunities come along, they are the ones chosen to pursue that. Is that not true? Is it not subjective?

MR. SCHMITT: I don't think so. Anybody who works for us, Assemblywoman Hughes, can put in a transfer for any job.

ASSEMBLYWOMAN HUGHES: You are talking about putting in a transfer. A lot of times, people don't know that training opportunities are available until they are told, by their immediate division chief or supervisor, that you are putting in new equipment. General Telephone and Pacific Bell are huge companies: no way in the world can one division know what another division is doing. But, some division chiefs and supervisory staff are told that some time you're putting in some new equipment, and/or asked to designate a person or persons for training in that area. My question is, is it not a very subjective thing when power is given to a person in a supervisory position? That power may not be distributed among those who are necessarily the most qualified or the most needed.

MR. SCHMITT: I imagine that can happen at times, but it would have to be a very, very selective job. There aren't very many people with that title. I will give you an example of where it might happen. In a division of a couple thousand people, there may be four or five people who work on power equipment. It may be that there is an opening in power, that nobody has a transfer on file for and somebody will tell someone that there is a job there. "Put the transfer in and you will get it." That could happen. But, I don't think in the jobs where there is a large general population, that could occur, by virtue of our union contracts and our upgrade transfer files where somebody could say, "I want to take you three people into this kind of job."

ASSEMBLYWOMAN HUGHES: Could you not say, "I want to take you three people to train for this new type of job, because you have demonstrated some special ability?" To me, that only seems like good sense. And, you are talking about "getting around a contract." I'm not talking about a contract at all. I am talking about opportunities for retraining and advancement.

MR. SCHMITT: I think I understand your question. The supervisors do determine who is going to go to which training courses. Not training courses that will get them the next job, but that will improve their skills on their present jobs.

ASSEMBLYWOMAN HUGHES: Right. In that retraining process, my question is, would these be the people who would have otherwise been laid off, or just the people you want to reward for good service? You are saying, and General Telephone said, that you are doing a substantial amount of retraining of your employees. My question to you is, in your retraining, do you take that type of thing into consideration, regardless of contract? Contract does not enter this.

MR. SCHMITT: I was referring to people who wanted to move and be upgraded in the company. That is the way that works, within job titles. There are specific training courses that people are sent to, to get into the more technical areas. We generally have a training track set up for any high-level technical jobs that are high-population. Over a period of 18 months to two years, you should get these courses. The supervisor determines when you get which ones. Over a period of a couple of years, everybody who has that title will get that training, unless they don't need it. There is some ability for a supervisor to have influence on who gets trained and when. But overall, they can't stop somebody from being trained within the technology we are currently working on. I guess they could try to stop it, but the union, as well as upper management if they heard about that kind of thing, would take steps to see that it would not happen.

CHAIRWOMAN MOORE: Let's go back to that. There is no set procedure by who gets selected, in terms of training? It is generally up to the supervisor?

MR. SCHMITT: If I have a crew six people, who all do the same thing, I have, over a three-year period, to get them trained in, say, six digital classes. I could pick who would go first. But, I couldn't say somebody would get none of that training.

CHAIRWOMAN MOORE: In the manner that you guys are laying off that it would make a big difference. By the time you got to me, I could be laid off, because I didn't have that training.

MR. SCHMITT: That would be true if we were laying off, but at Pacific Bell, we aren't.

CHAIRWOMAN MOORE: That is what labor is going to tell us?

MR. SCHMITT: I think Ms. Cook talked a little bit about that security agreement in her opening remarks earlier this morning. What she said is true, we have worked very hard to see that we don't have that problem. From a planning viewpoint, as I look at the technologies coming on line over the next 5 years, whatever force losses we may have in our company will be more than covered by attritions.

CHAIRWOMAN MOORE: Okay. Why don't we go to Bob Ringman and the other local independents?

MR. ROBERT RINGMAN: Thank you. I'm Bob Ringman with the California Telephone Association. The association is an association of 22 exchange telephone companies. Approximately 200 associate members are in the service-and-supply business to our industry. Of the 22 exchange telephone companies, two are extremely large, Pacific and General. Four are medium sized. The remainder are very, very small rural telephone companies.

Two of the medium-sized companies do have contracts with labor unions, either CWA or IBEW. However, in our medium and small companies, there have not, been layoffs due to divestiture. In fact, in some areas, there has been growth. I just comment because of the last question asked by you, Assemblywoman Hughes of the two medium-sized companies, one has a labor contract that requires it to post job opportunities.

CHAIRWOMAN MOORE: Why don't you identify the companies?

MR. RINGMAN: This happened to be Continental Telephone of California. It allows the employee to consider a chance and it has worked out well for that company.

CHAIRWOMAN MOORE: All right. On to the long-distance company. Mr. Porter, when you make your comments, you might address what the increased competition has done to AT&T in terms of its labor force, and how it motivates you to do whatever your are doing.

MR. TIM PORTER: I'm Tim Porter. I'm the director of governmental relations for AT&T. I'd like to thank the Committee for the opportunity to share AT&T's views on some of the issues in our changing telecommunications environment.

Specifically, in keeping with the Chair's plan, I am going to direct my comments to labor issues. In that regard, I'm going to direct my comments to points that were raised by the first panel. First, some general comments.

AT&T has about 25,000 employees in California today, at approximately 74 work locations. It is of paramount importance to AT&T that its employees be insulated from the pressures. Their jobs be insulated, as far as possible, from the effects of today's garbled telecommunications marketplace. In my opinion, the best way for that to happen, both in terms of job security and in terms of providing good customer service is for AT&T to become a profitable company in the State of California, and by the removal of unequal regulatory treatment. For example, since commencing operations as virtually a new company, in January 1984, AT&T Communications of California has obtained a wholely inadequate earnings level on its intrastate operations.

CHAIRWOMAN MOORE: Mr. Porter, you keep emphasizing California. Is California the only state in which this is occurring?

MR. PORTER: This is occurring in some other states around the country, as well.

CHAIRWOMAN MOORE: But not to the extent that it does in California?

MR. PORTER: Not quite to the extent as in California. We have a very bad earning situation in California. In 1984, as a matter of fact, we showed a net operating loss of $11 million. In the first six months of 1985, we showed a net operation loss...

CHAIRWOMAN MOORE: I see Mr. Kamer is putting up his hand. He wants to buy you.

MR. LARRY KAMER: One company at a time.

MR. PORTER: For the first six months of 1985, AT&T has shown a net operating loss, I think, of some $19 million, and those figures are on file with the California Public Utilities Commission. AT&T anticipates that it will continue to lose money for the remainder of 1985 in the state of California. These inadequate earnings are a result of excessive access charges and billing charges imposed by the local exchange companies, and the fact that the California Public Utilities Commission has not recognized our true cost of doing business in the state of California.

The long term viability of AT&T Communications depends on commission recognition of the competitive nature of the telecommunications marketplace. Traditional regulation applied to AT&T Communications is inappropriate, ineffective, and, ultimately, not in the best interest of California's consumers.

Let me turn to some recent developments in connection with labor matters. The recent layoffs or reduction in force in AT&T Information Systems will have little actual effect on service to customers in California. The cutbacks are not going to effect, for the most part, jobs in the sales accounts, design and development, and the computer systems organization. Despite the expectation of some jobs being eliminated in service positions, the cutbacks are not going to diminish the company's sales or service capabilities.

CHAIRWOMAN MOORE: Tim, it looks like we are going to take the largest loss, in terms of jobs, here in California. As in the car industry, where executives have big bonuses and all that other stuff, it looks like a lot of fat cats are still in AT&T, and they are getting all these good bonuses at the expense of the Terry Howards's. They are still around. How about getting some of those fat cats?

MR. PORTER: Well, I certainly can't draw an analogy between the automobile industry and AT&T in that regard.

CHAIRWOMAN MOORE: You have made some managerial decisions to go off into computers and other ventures things which may or may not pan out. Why take it out on the people?

MR. PORTER: I don't think we taking anything out on the people. Let me go back to your first point, how AT&T at the executive and high-managerial levels is different from, say, the automobile industry. We froze our salaries last year. There are no large bonuses for our senior executives and senior managers as there are in the automobile industry. We don't have that kind of situation right now.

CHAIRWOMAN MOORE: No bonuses?

MR. PORTER: We have an incentive plan that awards some bonuses. There is no analogy whatsoever. There is no comparison between what goes on in the automobile industry and what's going on at AT&T. We are operating with a very real recognition and awareness of the volatility of the marketplace in which we function, and of the limited financial resources that we have.

CHAIRWOMAN MOORE: You guys have been crying all over the place. You have been crying poor mouth, the whole bit, and how we are beating up on you.

MR. PORTER: It is for a very good reason. We lost money last year. We are losing money this year. We have lost $19 million in California in our first six months of this year. We are going to lose more money. We want to be profitable.

CHAIRWOMAN MOORE: Tell me about the third quarter profits when you talk about losing $19 million in California. What was the overall?

MR. PORTER: The overall figure of AT&T...

CHAIRWOMAN MOORE: Third quarter.

MR. PORTER: The overall figure for AT&T for the third quarter...

CHAIRWOMAN MOORE: Profit.

MR. PORTER: No one is disputing that AT&T is making a profit overall. It is not, however, the kind of profit that is going to attract investors to us or keep the investors that we have right now. If you compare our stock situation, our earning situation, in relation to other similiarly situated businesses in this industry or in other industries, you will see that in order for AT&T to remain a viable business for the future, we will have to increase our earnings picture substantially. While there are profits, we see those profits as not being adequate to ensure the continued success we want.

CHAIRWOMAN MOORE: Which takes us back to the question that I asked you initially: is the impact of competition in the long distance marketplace what's motivating you to become more profit-oriented?

MR. PORTER: I don't know.

CHAIRWOMAN MOORE: The MCI's and other folks trying to be more competitive in California not being lokked at. It seems to me that what is happening to AT&T is that its looking at each area in terms of reduction, and not looking at the overall company. Therefore, California would be singled out as a lucrative marketplace. From what I have been hearing and all the tears that have been shed, you never made what you should make in California. That's still true?

MR. PORTER: Well, in California, we are not talking about making inadequate or low rate of return. We are talking about a negative figure. We are talking about making no profit whatsoever in the state of California, in terms of what we are allowed to make.

CHAIRWOMAN MOORE: Why did the PUC do that to you?

MR. PORTER: That's a good question. You could ask the PUC.

CHAIRWOMAN MOORE: Why did you do that, Denise, Peter? Why did you hurt AT&T?

MR. PORTER: We hope that in California, insofar as the Commission is concerned, that there are going to be some changes which enhance AT&T's overall financial position. We are hopeful that the level of combined access charges and billings, which totals 81 percent of our expenses, will be reduced. We are hopeful that some expenses which have been disallowed by the Commission thus far -- expenses in connection with research and development, and in marketing, public relations and things like this -- will be allowed by the Commission as allowable expenses.

CHAIRWOMAN MOORE: Of course, one of the concerns is that the research and development that is done under AT&T's regulated....Go ahead.

MR. PORTER: If I could just address some of the points raised in the first panel. Let me just tick off what they are, and then go ahead and comment on them.

One point had to do with the existence or absence of discussions between AT&T and CWA in connection with the announced layoffs. Second, in connection with a number of jobs that are in California that are affected, something we talked about a little already, the closing of a portion of the Shreveport, Louisiana, plant; and operator services, something that is called "self-provisioning." That is the return or the movement of some operators who are involved in providing intraLata service to the local exchange companies. Andthe impact of CI2 -Computer Inquiry II- on employment and morale, a question that was raised by one of the individuals on the panel this morning.

First, with regard to discussions with the union. There have been ongoing discussions at the national level, between AT&T-IS, AT&TIS specifically, and the CWA, in connection with impending layoffs and reductiond in force. Those discussions, of course, are held at the national level, as AT&T is a "national company.

CHAIRWOMAN MOORE: Except when it comes to talking about your losses in California.

MR. PORTER: I don't know if I understand what you're saying.

CHAIRWOMAN MOORE: You said you are a "national company," until you start talking about your losses in California.

MR. PORTER: We are talking about the labor issue, right now.

CHAIRWOMAN MOORE: Okay. All right.

MR. PORTER: As far as the number of jobs in California that are impacted, let me distinquish between two things. One is the number of people who may very well wind up leaving the company, and the number of positions that are affected. We believe there are some 1300 positions that are affected in California. That doesn't mean that 1300 people are going to lose their jobs. As a matter of fact, we are doing a number of things to ensure that the least possible number of people will be losing their jobs. We are trying to place people -- within other segments of our business, within AT&T Technology, within AT&T Communications, or any of our other lines of business, where there is an appropriate match. We are offering an incentive plans, that sort of thing, for some employees.

CHAIRWOMAN MOORE: The 1300 jobs that are proposed to be eliminated?

MR. PORTER: That's right.

CHAIRWOMAN MOORE: But, that doesn't say the bodies are actually going to be eliminated?

MR. PORTER: That's right.

CHAIRWOMAN MOORE: There is a possibility of something else?

MR. PORTER: That is correct.

CHAIRWOMAN MOORE: Not likely, but possible.

MR. PORTER: Oh, it is very likely. It is very likely that some of those people are going to find jobs in other parts of our business; or, secondly, some of the people may voluntarily decide to retire. Practical incentive programs, in that regard, are offered to some of those employees. If you read some of our recent ads in the newspaper, you will have noticed that we are even trying to place some of our employees in positions with other companies. We are taking out ads in newspapers, alerting the business community generally of the fact that we have a large number of highly skilled, very qualified employees that would make excellent employees for their businesses, if they have positions available.

ASSEMBLYWOMAN HUGHES: What kind of early retirement proposals are you offering to your employees?

MR. PORTER: These proposals, generally -- I'm not all that familiar with specifics of the proposals -- but they involve, I believe, lump-sum payments to employees related to the amount of annual earnings they have received. I'm not sure exactly whether it is a year or two years. It is an attractive incentive plan for employees who wish to depart under those circumstances.

CHAIRWOMAN MOORE: How many have taken you up?

MR. PORTER: I don't know yet. Not one of those 1300 employees have left our employ, thus far.

ASSEMBLYWOMAN HUGHES: What is the maximum number of years an employee would have to be employed by your company to take advantage of early retirement? Do you have any idea? I think that is significant. What I'm talking about is a range of earlier than usual retirement. For instance, in the state of California, we have something called the "Golden Handshake," where we gave incentives for people to retire at an earlier age than they would have normally selected, including two years of retirement credit. Do you do anything like that?

MR. PORTER: We do. If you would like some specifics of our offerings, they could be made available.

ASSEMBLYWOMAN HUGHES: What portion of that population that you are planning on laying off would be affected by that? I am sure that your company has some idea. I fully realize that of the 1300 jobs, you might in reality be only talking about maybe 900, as you reclassify and recategorize some job functions. Do you understand the nature of my question now?

MR. PORTER: Since the offer is being made on a nationwide basis, it is rather difficult to determine what percentage of, let's say, the 1300 positions in California would be eligible to accept the offer.

ASSEMBLYWOMAN HUGHES: All right. Even though your layoffs are going to be nationwide, I would imagine the 1300 job categories in California would be different from 1300 jobs in a combination of other states put together since we are so large. Do you understand what I'm saying? If you took two or three smaller Eastern states, and talked about laying off 1300 positions, their 1300 positions might not be of the same category as the 1300 positions that is in California.

MR. PORTER: Those 1300 employees are in California. The 1300 positions are not all the same category.

ASSEMBLYWOMAN HUGHES: That's right. So, the composite of the 1300 would look different from 1300 from another part of the country.

MR. PORTER: That would call for me to speculate a little bit. It might very well be that if you had 130 employees in one state -- and, I'm just pulling that figure out of the air right now -- that the ratio of classifications or job titles or whatever fitted into those positions might very well be the same. It might be 20 percent of the 130 of this category, and 10 percent of another. I'm not sure. It could be.

CHAIRWOMAN MOORE: Tim, in looking at some of the accounts of what is happening with AT&T in your layoffs, and from hearing the speakers early this morning, it appears that a number of the jobs that are being proposed to be laid off are in maintenance and service activities which, of course, is one of the concerns of this Committee. It would appear to me, and I'm looking at Communications Daily, that a disporportionate number are to be laid off in installation, maintenance, and other technical support. Obviously, that would seem to have some impact on service. Do you have any idea of what that means? Is there any concern with that?

MR. PORTER: What we have is truly a surplus condition in some of those job categories -- in some of those positions. It results from several things, not the least of which are the implications of CI2, which required AT&T to establish a separate subsidiary for the provision of customer premises equipment. CI2 required AT&T to maintain separate organizations, separate from AT&T Communications, separate from other parts of our business.

In effect, we had a duplication or redundancy in some areas actually imposed on us by the FCC requirement. That is point number one.

CHAIRWOMAN MOORE: Stop right there. Is that an indication that you believe CI3 is coming, and you are getting ready for that? Is that the intent?

MR. PORTER: No. This has nothing to do with Computer Inquiry III.

CHAIRWOMAN MOORE: You sure? Because if they put Humpty Dumpty back together again, then you will need...

MR. PORTER: We're just dealing with one thing -- one governmental thing at a time.

CHAIRWOMAN MOORE: So, when you get rid of this group if they put you back together again, you get rid of another whole group.

MR. PORTER: That's not necessarily true.

CHAIRWOMAN MOORE: You guys are going to be really lean and mean.

MR. PORTER: That's not necessarily true. We don't want to be any leaner than we have to.

CHAIRWOMAN MOORE: All right, go ahead. I mean, this all comes together as we go through this. Go ahead.

MR. PORTER: A second development that was related to FCC action also, had to do with transfer into ATTIS of the installed or embedded base equipment, and the acceptance or rejection by ATTIS of the employees who are associated with the installed base of equipment. At that time, it was essentially a leased base of equipment. As we moved to a sales base of equipment, then some employees necessary to support the leased base of equipment, were no longer necessary for a support function.

CHAIRWOMAN MOORE: All right. Last question. And, honestly, Pacific Bell did not tell me to ask you this, nor did General, nor did any of the locals. As you bypass the local network, you save on what you are paying them. It would appear to me it would make more work for some of your people. Are you going to increase the number of operators?

MR. PORTER: Well, let me answer it this way, at least initially, until you direct me to answer it some other way: as the lawyers use to say, the question requires me to speculate or conjecture, because we have not bypassed. Okay?

CHAIRWOMAN MOORE: Okay. Only in New York. Oh, what do you call that, circumvent.

MR. PORTER: Nor is it a real circumvention.

CHAIRWOMAN MOORE: That's right. We have a problem with the definition of local telephone service. Is that it in New York?

MR. PORTER: As you recall there are at least two local telephone companies in New York.

CHAIRWOMAN MOORE: All right.

MR. PORTER: Let me move on to cover one or two other points, if I could. There was a reference during the first panel's presentation, with regard to our Shreveport resident telephone manufacturing operation. There are 7,000 employees in that plant. One thousand of those 7,000 jobs were terminated. The reason for doing it directly related to foreign competition. The company's choice, quite frankly, was, we either get out of the resident telephone manufacturing business in the United States, close it down and not do it at all; or, we foreign source it. We developed an offshore manufacturing facility, because we wanted to stay in the business.

CHAIRWOMAN MOORE: There is some concern about quality control having the phones made outside this country. Are the same spec's used to have them made in other places, as you used to in this country?

MR. PORTER: The manufacturing production of that equipment in Singapore will be done to the same exact standards that AT&T has always used, and which the general consuming public has come to expect from us, and we will continue to service that equipment.

CHAIRWOMAN MOORE: Now, wait a minute. I have a new phone that I would never throw out the window, as I could do with that old black one. No, no, it would not work.

MR. PORTER: The quality of our product will continue to be of the highest standard. I might also mention, by the way, since there has been an allegation that the Shreveport situation is going to affect California, that there is simply no proof of that assertion. Quite the contrary, we have a manufacturing plant here in California, for the first time in many years. We have a manufacturing facility in Santa Cruz, California, which will be manufacturing specialized microcompressors, and which will employ somewhere around the neighborhood of 350 to 400 employees. So, we now have a new manufacturing facility.

CHAIRWOMAN MOORE: Are you going to be retraining all those you are laying off to work for you in Santa Cruz?

MR. PORTER: We are going to be training people from Louisiana.

CHAIRWOMAN MOORE: No, no. I am talking about people here in California. You've got 1300, although you are not going to be laying off all of those, you told me. that.

MR. PORTER: If there are appropriate openings, appropriate matchs, and union contractual obligations are not impeded or compromised in any fashion, we would consider that an appropriate action.

CHAIRWOMAN MOORE: I just wondered if that is part of your overall plan, to look at the possibility of using that plant. (You are a good attorney. You really are.) If you would look at that as an overall layoff plan, it would appear to me to make good sense.

MR. PORTER: We are extremely concerned about our employees.

CHAIRWOMAN MOORE: Particularly, since the number of people you are laying off is in the technical area, anyway.

MR. PORTER: Anything in our power that will ease the situation for our employees will be looked at and given a lot of consideration.

CHAIRWOMAN MOORE: That says a lot, but not much. Okay, let's go to MCI.

MR. LARRY KAMER: Good morning, Madam Chair. I am Larry Kamer, manager of public policy for MCI Communications, Pacific division. I have just a couple things I want to add at this point. Basically, to put a couple of things into perspective. Although MCI is the second largest long distance company in the United States, we are a very new company. Although we serve 2.5 million customers throughout the country, we do so with approximately 10,000 employees, and fewer than 1,000 in the state of California, just to give you an idea of how we stack up to the others who are represented here at the table.

I have no formal presentation, but I certainly want to make myself available for questions.

CHAIRWOMAN MOORE: Let me ask you a couple of questions. Given the fact that you are a new company and you are already lean and mean -- I guess the union would say mean to them, since you are not a union company -- as a beneficiary of the FCC's decision to allocate the people who do not select a long distance carrier, do you perceive that causing your company to grow?

MR. KAMER: Almost by definition, yes. The allocation decision was a good decision. We pushed very strongly for that decision. We believe that a system which coerces customers to stay with the most expensive carrier and not give them a choice is not in the best interest of competition and customer choice. The real breakdown, if there is one in this whole system, has been in the area of consumer education. We think we do a good job. I am sure there are areas where we could do a better job, but there has not been the kind of education that consumers need to make a smart choice. For example, if you are allocated to a company, there is a perception, I believe, that you're stuck. You are stuck with some fly-by-night carrier that you may never heard of that you don't want. It is <u>not</u> the company you have to use. There is a fairly lengthy window in which you can make a switch, and a period after that in which another switch can be made, at any time, at a nominal charge. Unfortunately, that kind of information is not out there and hasn't been discussed.

Our market will grow as a result of allocation. As I said before, we applauded that decision.

CHAIRWOMAN MOORE: Of course, I guess, according to Mr. Porter, the person made a smart choice if they are still with AT&T.

MR. KAMER: I think it is the "right" choice. The smart and the right.

CHAIRWOMAN MOORE: A concern has been raised that customers who don't make a choice are generally the customers who need the extra services that are perceived to be given by AT&T. Those customers that are, to use your words, "stuck" with a compnay other than AT&T are deprived of services that they might need. Now, people are not aware of the window period. I think some of the local companies are beginning to get out information regarding that. Does that mean you are going to have to work harder to be able to accommodate these people? Are you planning to do things to keep those customers that are assigned to you by the FCC?

MR. KAMER: There are a couple of answers to that question. Any customer, at any time, whether in an equal access area or not, always will be able to use AT&T. They have nothing to be afraid of if they want to have an operator, call collect reach Mexico, or some of the things that AT&T still alone provides.

CHAIRWOMAN MOORE: The problem is that these people who are going to be assigned to you, and I think it is a very good point, are generally the people who don't understand or are most confused, and the least likely to understand that they can use two or three long-distance carriers. That doesn't work. The PUC should be taking a look to see that these long-distance companies at least be able to provide some extra things for the people that they are getting in that manner.

Back to you, Mr. Porter: you cried all along that if this happens, it is going to cause you to lose a great deal of business. As you begin to lay off more people, it looks MCI cannot provide those extra services the customer needs. Will you continue to lay off? Or, are you going to continue to provide the same kind of services and extras that AT&T purports to provide today?

MR. PORTER: We intend to continue to provide the same high quality service that we always provided, even with declining market share. We expect to do that, and I think it is possible to do it.

CHAIRWOMAN MOORE: All right, but with fewer employees?

MR. PORTER: No.

CHAIRWOMAN MOORE: All right. Let's go to GTE Sprint.

MS. ROBIN QUIROZ: Good afternoon, my name is Robin Quiroz. I'm the western regional manager for state legislative affairs for GTE Sprint. This is a new role for me, to be on the front of the firing line. I am pleased to be here today.

CHAIRWOMAN MOORE: Thank you for coming.

MS. QUIROZ: On the issue of layoffs, as you know, Sprint recently experienced a 10 percent lay off in its workforce. This translates to about 600 employees, half of which are located in California. As you know, the layoffs were a result of a severe downturn in the financial condition of the company; you probably have read about that. The layoff's do not in any way affect customer service. The layoffs do not come from the customer service-division, whatsoever. We do not intend to have customer service, the quality of service, affected, whatsoever.

CHAIRWOMAN MOORE: Basically, where were the layoffs?

MS. QUIROZ: They were pretty much across the board, with the exception of customer service.

CHAIRWOMAN MOORE: There was a management decision not to impact on customer service?

MS. QUIROZ: Yes, to my understanding. I also want to say that, in regard to the total Sprint employment, since GTE purchased Sprint in 1983, the employee base has doubled. The point is, the net impact has been a beneficial one, even though we had to lay off 600 employees. That impact has been quite beneficial for labor.

CHAIRWOMAN MOORE: Why?

MS. QUIROZ: Because Sprint is a growing company. We don't expect more layoffs in the near future. That's about it. I am open to questions.

CHAIRWOMAN MOORE: Do you have any idea what percentage Sprint is going to end up with, and MCI, in California?

MS. QUIROZ: A percentage of what, customer base?

CHAIRWOMAN MOORE: Yes.

MS. QUIROZ: We have three percent now. I'm not going to make any projections on our growth rate.

MR. KAMER: I'm not sure. It is just over six percent of our normal projections. It varies in some equal access areas. On the high end some equal access areas are in the 20's. On the low end, its below five or three. Our national projection, our goal, is to obtain between 10 and 15 percent of the total market share for long distance.

MR. PORTER: The U.S. Commerce Department's recent figures show AT&T with a 63 percent share of the total market.

CHAIRWOMAN MOORE: What study is this?

MR. PORTER: The Commerce Department.

CHAIRWOMAN MOORE: Was that commissioned by AT&T? You are now aggressively -- I saw a full page ad, yesterday. Have you just started or have you been doing this all along?

MR. DOUG KINDRICK: There have been ads in those areas.

MS. QUIROZ: Madam Chair, I would like to make a comment on the equal access, to follow up on what Larry Kamer was saying earlier. GTE Sprint acknowledges and is very concerned about acknowledges the strong degree of customer confusion about equal access conversions and allocations. We have done our part to help eliminate some of that confusion. We have sponsored public information forums across the state, which are designed to bring in all the long distance carriers, PacBell, and General Telephone, to explain to the customers what equal access is all about and what their choices are. In addition, we have an 800 toll-free number for the press, to assist it if it has questions when they are writing articles about equal access. We are doing our best with our marketing, to make sure our literature is clear and concise.

CHAIRWOMAN MOORE: Who is Joan Rivers?

MR. KAMER: Madam Chair, I would like to comment on a question you asked, that I did not have an opportunity to answer. That concerns our efforts along the lines of equal access. We announced yesterday the opening of a multibillion-dollar facility in Irvine, which represents 40 new jobs, the first equal-access facility in California. By "first," I mean it is the only facility in this state offered by any of the telephone companies, solely for the tracking and processing of equal access orders, with an 800 number that any customer in the state can call toll-free. We have direct interfacing with the databases of Pacific Bell and, I believe, General Telephone, so that our customers, once those orders are given to us, whether they order it themselves or whether allocated, can be tracked from Day One. We also set up a new 700 area code number our customers can use, so they can inquire about the status of their orders and we can give them reputable answers. It is a toll free number, but you can only access it if you are on a MCI network. So, don't go running out and calling it, you won't be able to get to it.

It is an effort that we take quite seriously. We believe it is a small step. but an important step, in easing customer frustration and trying to ensure fulfillment of those orders in California.

MR. PORTER: AT&T has also doubled its efforts, to make sure that customers are educated to the choices they have to make. Our television commercials stress that a choice has to be made. Direct mail brochures are sent out. These items stress the important of choice, and that failure to return the item it may result in an undesired assignment. We have increased our newspaper ads. We have telemarketing campaigns, where service representatives enlighten customers and educate them to the changes in the telecommunications industry and the options they have. We have billing inquiry centers. These groups are equipped to handle equal-access problems and sign-up's. They go by multilingual and multi-ethnic customer populations in California. And, we also have employee basic education programs, where we try to educate our own employees to make sure that they are knowledgeable about what is going on in the area and what they can do to be of help and assistance to their neighbors.

CHAIRWOMAN MOORE: It sounds like an aggressive plan. Is that what PacBell is doing for lifeline?

MR. SCHMITT: Do you want me to respond to that?

CHAIRWOMAN MOORE: Yes, of course. First of all, let me ask you, to respond to some of the concerns we heard from the first panel.

MR. SCHMITT: Let me start by dealing with lifeline. One of the things we heard this morning was that Lifeline was not incented for service rep's themselves, and that's true.

We have found that many of our customers who are eligible under the guidelines of the Universal Lifeline program would make the wrong economic choice if they took lifeline, and we don't want to put our service representatives and sales people in a position where they tell a customer to make that kind of choice.

ASSEMBLYWOMAN HUGHES: In whose perception would it be the wrong economic choice? In the perception of PacBell? Or the consumer's?

MR. SCHMITT: Let me explain.

ASSEMBLYWOMAN HUGHES: Okay, please explain.

MR. SCHMITT: Lifeline in the metropolitan area allows 30 local calls a month. The average customer eligible for lifeline makes 106. If you make 106 calls on lifeline, it costs you more than if you are on measured service. So, we have proposed to deal with the issue through a series of choices for lifeline customers in our current rate case. These would allow customers to have basic lifeline service of 30 calls a month, or a lifeline service of 130 a month at a couple of dollars more. (I don't know what the exact numbers will be until the rate case is finished.) Or, to buy flat rate service at half price. Now, I believe that the Commission will look favorably on the choices, but I can't speak for them. We believe lifeline customers should

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get the same range of choices as do the rest of our customers, today, and that is what we proposed. I think that will happen in January or early February of next year.

CHAIRWOMAN MOORE: Didn't the ALJ recommend recommend 60 calls being offered, to do that? Let's go back to your comment, that the rep's are getting nothing. What was that pitch? Who has the copy of the pitch? There is nothing, absolutely zero, in this pitch that shows any concern about making the wrong decision based on the number of calls that a customer gets. If that were your concern, why wouldn't you say that, "Under this service, you are only going to get 30 calls. You may make more calls. Our average customer makes 106, and you are probably one of those." Instead of, "The first option is the premium package, which is $22.00 a month, and next is the economy package, which costs $18.40 a month. Both these packages include the standard Touchtone line." It doesn't sound like you are concerned about them making a wrong decision, as we go through it.

MR. SCHMITT: That material is...

CHAIRWOMAN MOORE: Old?

MR. SCHMITT: I don't know if it is old. I believe it is probably done in the local office and not the material that comes out of headquarters. Though it is true that we do want our people to sell packages, I don't know where the particular material that was read this morning came from. I can assure this...

CHAIRWOMAN MOORE: So, you disclaim this?

MR. SCHMITT: I don't know whether I do or don't, because I don't know where that came from.

CHAIRWOMAN MOORE: You're begining to sound like Tim Porter.

MR. SCHMITT: Anything that comes out of Pacific Bell anywhere, I am not going to disclaim. That obviously came from somewhere in our company. What I can't tell you is that it meets our policy. In fact, if a service rep who works for us treated a customer the way you were treated in that role play this morning, the rep would likely be terminated; certainly, if they did it twice. We don't mistreat our customers, pushing them into something, as was described this morning. That is not the way we do it.

CHAIRWOMAN MOORE: If you are committed to lifeline as you say, then why is there zero incentive?

MR. SCHMITT: Today? Only because we know who is the wrong economic choice for the majority of the customers that are eligible for lifeline.

CHAIRWOMAN MOORE: So, why did you support the bill?

MR. SCHMITT: Your bill?

CHAIRWOMAN MOORE: Yes.

MR. SCHMITT: We did support your bill.

CHAIRWOMAN MOORE: But, if you knew it was the wrong choice, then why did you support it?

MR. SCHMITT: The original bill?

CHAIRWOMAN MOORE: Yes.

MR. SCHMITT: At the time we did the original bill, we did not have all the study work that we have today. We have spent a lot of time and effort to find out why it is that we unable to get the eligible, full 11 percent of our 1.5 million customers in California onto lifeline. We know why we can't get them, and we have proposed some things, we believe, that will bring us a lot closer. I can't tell you that we will get 1.5 million people on lifeline.

CHAIRWOMAN MOORE: Well, why is this the first time that I am hearing the lifeline is totally the wrong choice for the people that it is designed to serve?

MR. SCHMITT: That, I can't answer. The research material was released in July. I believe we have passed some of that information off to the PUC staff, on the 106 average calls.

CHAIRWOMAN MOORE: Well, AB 549 would have made some changes. You did not support that either.

MR. SCHMITT: I believe...

CHAIRWOMAN MOORE: You were neutral.

MR. SCHMITT: We were neutral. We did nothing to get that bill turned down. In fact, that bill was very close to what's proposed now to the Commission.

CHAIRWOMAN MOORE: If you knew it was the right bill, and if you are so concerned about the wrong choice for the customer, it would appear to me that you should have supported AB 549. You should have embraced it, rather than being neutral on it. It would seem to me, if you are concerned about lifeline and its ability to serve a certain group in California, that you would have supported AB 549.

ASSEMBLYWOMAN HUGHES: Before we go on to the next witness, can I ask another question? Since you sound sincere, in terms of helping the consumer, are you going to work with the author of AB 549 to see that a good bill, one that protects the consumers and provides sufficient service, comes up this coming session? Are you going to work aggressively to see that that happens?

MR. SCHMITT: Let me answer it this way: I believe we will get the right solution, the same solution, out of the Commission. Frankly, I believe that the Commission will approve of the choices for lifeline. I don't have a vote on the Commission, but my senses say they will not say that lifeline customers cannot have any choice.

CHAIRWOMAN MOORE: While they get around to it, at the end of 1986, there is the possibility that new customers will continue to suffer. Is that it?

MR. SCHMITT: I don't think it will go on that long. According to the timetable for this decision, the revenue requirements will be decided in December, and then the rate spread after that. Within 30 or 60 days, we will propose a rate

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spread. It will probably be over before another bill is introduced.

CHAIRWOMAN MOORE: Is that correct, PUC? So roughly, we are talking about another six months, at least, and possibly longer. We should really talk about that. You should really take a look at that, particularly, given the service of lifeline. Again, is that the reason why the OII was opened in the first place, on the basis of this study? If you knew it was wrong why didn't the PUC continue to follow through?

MR. SCHMITT: That study was only completed in July. It is the 16S study that you need to you see. That is the one Denise is referring to. That was completed in July. The only other thing that has happened this year on lifeline, Assemblywoman Moore, is that we did a very concentrated job in Oakland, trying, through additional advertising and promotion, to get the number up.

CHAIRWOMAN MOORE: I don't even want to hear that. I know you don't want me to comment on trying to seel Oakland the wrong thing. I know you don't want me to comment on that. It infuriates me when you tell me that. Let's go to General Telephone, on lifeline.

MR. JENSIK: I'll couple my comments on lineline with comments on overall rate flexibility, which was one of the other questions in the agenda we were given. General Telephone is committed to measured service as a very reasonable way to sell telephone service and to allow, in the long run, the affordability of telephone service for all of its customers. Like any other company, General would like to increase its market share as much as possible. That means pricing things in such a way that those who are less able to afford service can still be in the system, while those who are better able to afford it can have attractive options.

You have to integrate that with the lifeline issue, I think, because lifeline becomes one more rating element that can be made available to customers, to allow them to more easily stay on the network. We are working along those lines. We, too, have some of the problems that were voiced earlier, with respect to our customer rep's not being as well educated as they might be.

CHAIRWOMAN MOORE: It didn't sound like the customer rep's were not well educated. It sounded like they were very well educated in terms of what their purpose ought to be. Are you marketing your lifeline service in the same manner as is PacBell, based on the "fact" that you know it is the wrong thing for the customer and therefore you are only trying to protect him by not offering lifeline and offering only much more elaborate packages?

MR. JENSIK: We make them aware of all the services that are available to them.

CHAIRWOMAN MOORE: So, the answer to the question is "yes." You are doing the same thing. PUC, you really should take a look at that. You've got General Telephone doing the same thing that PacBell is, in terms of customer service.

MR. JENSIK: I would like to relate a program under my own management control, right now, in General Telephone, in the belief that measured service is a legitimate option for many of our customers. By that way, we have done a study as well. We find that many of the customers who chose flat-rate telephone service would have been able to pay less for telephone service had they chosen the measured-rate option.

CHAIRWOMAN MOORE: This is the same as the energy situation: because the price of gas has gone up, and with it, the cost of heating their homes, people use less. The amount they pay appears the same, but actually they are using less heat. I imagine the same principle applies to the telephone. If they use it more, if they follow their traditional telephone patterns, they would be paying more, but because they use the phone less, they are paying less. Is that the case?

MR. JENSIK: No. What we done is study customer usage patterns -- the overall customer base. What we find is that about 60 percent of the customers who buy flat-rate telephone service would indeed have paid less with measured service. They had no incentive to cut back on their usage, and still would have paid less had they purchased measured service. That is what we found out.

CHAIRWOMAN MOORE: They would be conforming to the same telephone patterns that they have under a flat rate?

MR. JENSIK: Yes. That is our current base. Now, with that in mind, and with our desire to move towards more measured service in our telephone network, we are going to begin an experiment in the southern area of our company to help customer rep's better understand how they can inform customers about all their choices. Basically, the incentive will be to reward people for helping the customer to make the right choice for the customer. That program is scheduled to begin in January. The reward will be based on the amount of measured service that they sell, but they are going to be informed. The customers can make a mistake both ways.

CHAIRWOMAN MOORE: That's assuming that measured service is in the best interest of the customer.

MR. JENSIK: I believe it is. I believe options...

CHAIRWOMAN MOORE: That is not really an option once you determine that it is the only way, and that anything else is a mistake. I can't get over these mistakes that both of you are now defining. After you have decided measured service is the way, everything else is a "mistake."

MR. JENSIK: I don't believe so, and I will tell you why. I guess it depends on what you think a mistake is or isn't. I think a mistake is made when, based on your consumption habits, you pick a pricing option that causes you to pay more than you might otherwise have paid.

ASSEMBLYWOMAN HUGHES: Are you going to get any feedback from your customers? Say, I, as a customer with General Telephone, have chosen a certain type of service. A year later, are you going to ask me to evaluate my new service compared to the old service that I had? To me that seems like the only way that you, or PacBell, or anybody can really tell if the customer is satisfied with their service. You know, it bothers me and boggles my mind that the telephone company is going to evaluate whether this is a good service for the person. I, as a consumer, might discipline myself so that I will only make "X" number of calls. Also as a consumer, I know, if I am a retired person, there are certain calls that I make every month anyway and will probably not going to exceed that. When are you going to give the consumer, if ever, an opportunity to help you to evaluate the kind of service that they have chosen? Are you?

MR. JENSIK: Yes, as part of this program, which we intend to move across the entire company, there will be marketing research done in order to help customers understand which choice is best for them and to find out how things turned out after they made those choices.

CHAIRWOMAN MOORE: In other words, if Ms. Hughes calls in, you will ask her how many calls she makes a month. You will ask her intelligent questions regarding her calling pattern and from there make a decision as to what would be in her best interest. Is that what you're telling me? Let say, as soon as she calls you, are you going to have two minutes to, "First is the premium package," and so forth? Are you going to do one of those numbers?

MR. JENSIK: What I am going to tell you is that our customer rep's under this new program, will try to help the consumer to pick the package which is best for them.

CHAIRWOMAN MOORE: Based on?

MR. JENSIK: Based on their consumption habits, to the extent that they know them, the prices that are available, and the way they can purchase telephone service.

CHAIRWOMAN MOORE: Then, what will you do, ask a question like, how many times they use the phone or something to that effect?

MR. JENSIK: Yes. "How many local calls do you make, and how far away is that place?" We are going to have to help the customers understand what kind of calls they are making.

CHAIRWOMAN MOORE: But if you do that, it is inconsistent with what we heard is the policy and the practice of PacBell and your company, too, I assume, since it means you will have to change the time limit you placed on rep's having so much time to sell.

MR. JENSIK: Yes, that's true. I am not aware of the precise timing policy.

MR. SCHMITT: I want to tell you that the average time for the new service order in our company is around 40 minutes. That is about how long they take.

CHAIRWOMAN MOORE: So, when we give you information regarding these places and these locations that you will check into, you will be able to give me an answer back. Bob?

MR. RINGMAN: The smaller, rural-serving companies have very supervised consumer service.

CHAIRWOMAN MOORE: The last question, and then we are going to wind it down. Everybody gets a parting shot. We are going to continue education, that is one of the things that really has to happen in post-divestiture. Before divestiture, no one needed to know or understand what was happening with the telephone company. Now, you really need people to begin to understand the process, the different kinds of service. We didn't talk at all about service in terms of installation and other things that probably should have been touched on. People do not really have an understanding when they call in a service complaint. We have gotten complaints and letters about calls to telephone companies (I assume it has to be PacBell, General, or one of the independent local companies) and customers being told to check their wires and their phones. Whether it is in their phones or in their walls. People have no idea what that is. There is an effort to start selling service contracts:. "You can get the whole deal, and you don't have to ever worry about it again."

MR. SCHMITT: That's true at Pacific. We are about to, allow customers to make a choice, to pay us if they don't know the number. In fact, I believe, they don't have to worry about it. They are guaranteed the repair. If they have trouble, we go out and see what the trouble is and fix it if we can fix it. We are not allowed to fix in the telephone. We can fix the wiring for a price.

CHAIRWOMAN MOORE: But, if it is in the wire, you already take care of that free.

MR. SCHMITT: It is more likely in the connection, generally speaking.

CHAIRWOMAN MOORE: Aren't you suppose to take care of that anyway, free?

MR. SCHMITT: Only wire up to house, not through the house.

CHAIRWOMAN MOORE: But usually if there is a problem, it is the wire out of the house.

MR. SCHMITT: We would take care of it if it is.

CHAIRWOMAN MOORE: That's what I'm saying, so this new service contract is a scam.

MR. SCHMITT: Not really. It takes care of all of the things that would end up with a customer having to pay a service charge if they don't know where the problem is, between the area of our responsibility and the telephone itself. If the customer wants us to come out under this proposal, it would cost them nothing else to fix anything except the telephone set itself.

CHAIRWOMAN MOORE: We have heard from Sprint in terms of what they are doing in consumer education. Do you want to add anything to that? Your findings are that the general public still lacks information regarding equal access and the whole switch-over. You would like to see the PUC issue some orders to help you solve that problem?

MS. QUIROZ: There is a lot of information out there, but it is not always easily understandable. I think it is getting them confused.

CHAIRWOMAN MOORE: I don't know if you have seen it, but the State of California has put out a little book. "Choosing a Long Distance Company Under Equal Access." It is a little bit long. It has a lot of information in it. Those of you who are educating might be interested in taking a look at this. I don't know if you are doing anything like this on your own, in terms of marketing the long distance, but it is something that the State is doing. Gary Pomeroy from the Department of Consumer Affairs is here. Gary, why don't you stand up? Gary was kind enough to bring these booklets with him. I imagine we have a million of them, if you are interested.

All right. Let's go to Bob, a parting shot.

MR. RINGMAN: In our industry, we believe strongly about the Moore Universal Lifeline Act. Our breakdown, I think, comes in a series of communications. I think we all have represented we want to get more accomplished.

CHAIRWOMAN MOORE: Anything else you can say? This is your last shot.

MR. RINGMAN: Last shot is there are only two other companies who will be involved in equal access. There are no others in the area at this time. It may come in some years off.

CHAIRWOMAN MOORE: Is bypass a major concern with the smaller companies?

MR. RINGMAN: Yes, indeed. There is a lot of concern, because in these small communities with just one industry, when that's gone, that will take out 20 percent of the revenues of the local telephone company.

CHAIRWOMAN MOORE: Are any of the really small ones expecting any of their customer companies to bypass them? I mean, are there any rumors out there?

MR. RINGMAN: There are rumors. I think it is being done less than it was years ago.

CHAIRWOMAN MOORE: Mr. Kamer, last shot.

MR. KAMER: The only thing that I would close with is to add to what Robin just mentioned, that pertaining to customer education easy-to understand, reputable information. Frankly, we think we do a pretty good job in providing information. We don't try to master anything but information, in trying to get people take MCI. Hopefully, we do a good job in educating people in that process.

CHAIRWOMAN MOORE: How about the people assigned to MCI, not by choice -- what happens to them education-wise?

MR. KAMER: Those people are treated the same as are other customers, who come to us on their own admission. They are welcomed. They are given information on how to use our service.

CHAIRWOMAN MOORE: There is no special program for the people who come to you by default?

MR. KAMER: Not to my knowledge, no. I don't believe we make any effort to single them out and treat them any differently.

CHAIRWOMAN MOORE: PUC, could you control the consumer information package in California, in terms of mandating special programs for people that come by default? Or, are we preempted from that?

MR. KAMER: Just to conclude, we have worked very closely with the Pacific and General and try to smooth over the equal access process. It is a very time consuming and difficult job. We believe that the intent of the Modified Final Judgment was for the local exchange companies to have the primary responsibility of providing that information. Judge Greene was very explicit about that.

CHAIRWOMAN MOORE: Larry, if people wake up tomorrow and find out that they have MCI and they are no longer customers of AT&T, the very people we are concerned about, the people who did not make the judgment based on information, are going to be even more confused. It would appear to me not having anything to do with Judge Greene or any of the others, that the responsibility should obviously be with to the local companies. The fact is, they are still going to be yours, as well. I don't think that PacBell should use its resources to educate to your customers. I think it would be a good marketing tactic for you to keep those customers.

MR. KAMER: One thing that we do, exactly along those lines, is a program aimed at our zero-usage customers, that those people who are MCI customers for a significant period of time and who are running up no charges on MCI. That is usually not because they not picking up the phone and calling. Usually it is because somewhere in the system they are recorded as an MCI customer, but are actually AT&T customers. That is a real confusion situation. If a person gets allocated to us, and gets a notice from Pacific Bell that they are a MCI customer and gets a bill from AT&T at AT&T's higher rates, that causes a great amount of confusion. One of the reasons we put this equal access in place, one of the reasons why we go after our usage customer, to try to find then out. My point was, there is not a program aimed specifically at allocated customers. There is for those zero-usage customers and for all equal-access customers who are attracted to the system. But it is, we believe, a legitimate role for state government to play. Frankly, I applaud the effort. We did some work for Senator Rosenthal's bill. We will continue to do the same work.

CHAIRWOMAN MOORE: You totally duck, by putting it clearly on the shoulder of PacBell to come up with some responsible program for those people that are dumped on you. So, moving right along. You missed your shot. Let's go to Tim Porter.

MR. PORTER: My last shot will go at something which I think is rather fundamental and which involves the entirety of the issue that we have been looking at. We go back to the title of the subject of the hearing, and that is divestiture and telecommunications deregulation.

CHAIRWOMAN MOORE: Impact on service and labor.

MR. PORTER: Only one of those things, of course, has really been done to AT&T, and that was, we were divested. We have not, however, been deregulated. To the extent...

CHAIRWOMAN MOORE: Half of you has.

MR. PORTER: We are talking about AT&T Communications, right now.

CHAIRWOMAN MOORE: We're talking about the whole ball of wax, whatever makes the customer happy.

MR. PORTER: In terms of what, as Mr. Arth said, in terms of what the Commission has jurisdiction over and in terms of what I believe this Committee's abiding interest is, on the communications side, we have not been deregulated and our competitors are deregulated. To the extent that we experienced some problems with our employee work force and with customers, I think that a significant measure of that problem is due to the fact that we are not playing equal with our competitors. We are not deregulated.

CHAIRWOMAN MOORE: Of course, if I gave this back to Robin and Larry, they would say they are not playing on an even playing field with AT&T. That goes without saying. All right, we will go to General.

MR. JENSIK: I think one of the most important topics discussed here today was lifeline service and the affordability of telephone service. I would like to reemphasize the fact that a universally available, reasonably priced, local telephone service will continue to be available in California for the foreseeable future if we continue to work together to achieve those goals.

CHAIRWOMAN MOORE: What about the quality, if you keep laying people off?

MR. JENSIK: We haven't laid anyone off yet.

CHAIRWOMAN MOORE: Okay. All right. PacBell gets the last shot.

MR. SCHMITT: Thank you. I'd like to just take a moment to talk about our service levels. Based on some of the things that I heard this morning, I would expect to see the service levels from the customer's perception, dropping, and complaints to the Public Utilities Commission and our upper management increasing. In fact, the reverse is true. Initially, right after divestiture, our service results from the customer's perspective dropped a little bit from where they were prior to divestitute. For the last 16 months, they have been at levels equal to or higher, in the residential and general business market, than the service levels we provided before, on installation and maintenance, and sales and service, when people call us. Our regulatory complaints and upper management complaints are at the lowest levels they have been for years right now, and we expect them to continue to stay there. We do change what we do to our customers from a service viewpoint, based on whatever information they tell us. We make thousands of surveys a month, and we do try. We are committed to a very strong customer focus in our business.

CHAIRWOMAN MOORE: All right. We thank you for participating. With that, we will adjourn the hearing.

SUBMISSIONS

AND

CORRESPONDENCE

Communications Workers of America

C.W.A. 11502 HEART OF LOS ANGELES

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FOR ASSEMBLY HEARING
ON THE EFFECT OF DIVESTITURE ON CONSUMERS
October 23, 1985

The reason that licensing and inspection of new installation and repairs of telecommunications equipment and wiring is needed in both residences and business:

Prior to divestiture and deregulation, this was done internally. While the former regulated companies continue this practice, there is no guarantee other companies will, or that the former regulated entities will continue to do so.

This could cause a deterioration in services, as well as hazardous conditions.

There would be no guarantee of the quality of products used. In an effort to offer a lower price, the most obvious short-cuts are in the quality of workmanship and materials. The consumer would have no guarantee on the equipment or repairs.

Ultimately this could have an adverse effect on the network causing problems for all consumers served by the defective system.

Without licensing the consumer would have no recourse to seek compensation for shoddy workmanship or materials. We have already witnessed an alarming amount of businesses start and fold in this fledgling industry.

There is also safety concerns for both the consumer and regulated employees. We have already found telephone cable sharing the same conduit with both cable television and electrical wiring.

It is important that the high standards of the telecommunications industry in this state be upheld. This is in the best interest of both the consumer using these services and the employees of reputable companies that will be doing this work.

kc
opeiu:30 afl-cio

"SUGGESTED SALES SCRIPT"

ALTHOUGH WE HAVE A LIFELINE SERVICE AVAILABLE FOR QUALIFIED HOUSEHOLDS, LET ME START BY EXPLAINING THE PACKAGES WHICH ARE POPULAR. IF ONE OF THESE PACKAGES APPEALS TO YOU, THEN GREAT!! IF NOT, WE WILL TALK ABOUT OTHER OPTIONS, OK?

"THE FIRST IS THE PREMIUM PACKAGE" WHICH IS $22.20 A MONTH AND THE NEXT IS THE ECONOMY PACKAGE WHICH IS $18.40 A MONTH. BOTH OF THESE PACKAGES INCLUDE: STANDARD TOUCHTONE LINES WHICH MEANS YOU CAN PLUG IN EITHER PUSHBUTTON OR DIAL PHONES. THEY ARE BOTH SINGLE PARTY SERVICES, SO YOU'RE NOT SHARING THE LINE WITH ANOTHER FAMILY. THEY BOTH INCLUDE THE ABILITY TO ANSWER A SECOND CALL WHILE YOU'RE ALREADY TALKING OR TO FORWARD YOUR CALLS TO ANOTHER NUMBER WHEN YOU ARE NOT HOME, TO AUTOMATICALLY DIAL YOUR EMERGENCY AND FREQUENTLY CALLED NUMBERS, TO PUT A CALL ON HOLD AND CALL OUT AND EVEN HAVE A 3-WAY CONVERSATION IF YOUR LIKE, AND A 20% DISCOUNT ON YOUR ZONE AND SERVICE AREA CALLS MADE MONDAY THRU FRIDAY FROM 12 NOON TO 2 P.M. AND FROM 9 P.M. TO 11 P.M. AS WELL AS ALL DAY SATURDAY & SUNDAY. THIS DISCOUNT IS OVER AND ABOVE THE NORMAL DISCOUNTS THAT APPLY.

THE BASIC DIFFERENCE BETWEEN THE TWO PACKAGES IS THAT THE PREMIUM PACKAGE AT $22.20 GIVES YOU UNLIMITED LOCAL CALLS, AND THE ECONOMY PACKAGE AT $18.40 GIVES YOU A MEASURED RATE SERVICE WHICH GIVES YOU A $3.00 ALLOWANCE TOWARD YOUR ZONE 1,2, AND 3 CALLS.

WHICH DO YOU THINK WOULD BE THE BEST FOR YOU, THE PREMIUM PACKAGE OR THE ECONOMY PACKAGE?

With either choice I reiterate the 1FR/1MR difference to make sure the customer gets the proper class of service for their needs. Interviewing may be included at times.

If the customer doesn't understand or if he raises any questions, I explain again, possibly in more detail, then again offer the choice between the two packages, or recommend one or the other with a personal recommendation based on information I received while interviewing.

ENTHUSIAM, POSITIVE ATTUTUDE, A SMILE IN YOUR VOICE AND PRIDE IN WHAT YOU'RE EXPLAINING ARE VITAL TO THE SALE.

GOOD LUCK AND HAVE FUN!!!!!

SALES SCRIPT

Although we have a Lifeline service available for qualified households who earn $11,500 or less per year, and the Premium package which is $22.20 a month, I recommend the Economy package which is $18.40 a month.

It includes a TouchTone line, ability to answer a second call, forward calls to another number, automatically dial emergency and frequently called numbers, and 3-way conversation.

It also includes our weekend plan which gives a 20% discount on ALL PACIFIC BELL SERVICE AREA TOLL CALLS; and lastly, it gives you a $3.00 allowance towards your Zones 1, 2 and 3 calls.

I can have this working for you by ___________.

Let me get your new number _____________.

5-20-85

CALLING CONVENIENCE SERVICES PACKAGE 1

CHANGE FROM SINGLE LINE SERVICE TO CALLING CONVENIENCE SERVICES PACKAGE 1	MNIR Request: C Order E in SECT Field

```
MNID                                               MI/AV I   4D

TN             CUS TD     DD     APT MAC ACC AO     CS  SLS
408-705-9000 529        09305 W                    1FR AAAAA1111
ORD        SU    EX     STA APP CD     IOP CT TX RA SP CON AC
C12321111        QX ZZ      R                 R
TAR     |053
ACNA    |R
WA      |99# EDEN WY,HLSBRO
WN      |HALL JACKIE
---S&E  |
C1      |1FR/TN 705-9000/PIC 10XXX
T1      |1FR/PIC 10XXX
I1      |MVR/REF A CG 22
D1      |TTR
---RMK  |S
SPA     |GINNY OOS B4 9 AM
        |TOM 415-684-6645
```

PIC + Applicable Data Req'd On Equal Access Prefixes Only

, 116

CALLING CONVENIENCE SERVICES PACKAGE 1

**NEW CONNECT OF CALLING CONVENIENCE
SERVICES PACKAGE 1 WITH OPTIONAL FEATURES**

```
TN              CUS TD     DD     APT MAC ACC AO     CS  SLS
408-705-9000 835         09305 W                     1FR AAAAA1111
ORD         SU    EX     STA APP CD     IOP CT TX RA SP CON AC
N18518354         QX ZZ      R             R
DDI      |1
ACNA     |R
---LIS   |T
IA1MNL   | HALL JACKIE
I  LAD   | 99//EDEN WY/HLSBRO
---S&E   |
I1       |1FR/PIC 10XXX                PIC + Applicable Data
I1       |MVR/REF A CG 22              Req'd On Equal Access
I1       |MVRCW                        Prefixes Only
I1       |MVRCD
---RMK   |S
SPA      |GINNY OOS AFT 5 PM
         |TOM 415-645-6654
```

CALLING CONVENIENCE SERVICES PACKAGE 1

**NEW CONNECT WITH 2 LINES
BILLED TOGETHER**

```
TN             CUS TD     DD     APT MAC ACC AO CS   SLS
408-705-4876 543          09305 W                 1FR AAAAA1111
ORD          SU    EX      STA APP CD      IOP CT TX RA SP CON AC
N55395439          QX ZZ       R                R
DDI     |1
ACNA    |R
----LIS |T
IA1MNL  |  ANDERSON PATRICIA
I  LAD  |  99//EDEN WY/HLSBRO
----S&E |
I1      |1FR/TN 705-4876/PIC 10XXX
I1      |1FR/TN 705-4634/PIC 10XXX
I1      |MVR/FN 4634/REF A CG 22
I1      |MVRCD
----RMK |S
~~SPA~~ |~~GINNY OOS AFT 5 PM~~
        |~~TOM 415-542-5548~~
```

PIC + Applicable Data
Req'd On Equal Access
Prefixes Only

CALLING CONVENIE CE SERVICES PACKAGE 1

REMOVE OPTIONAL FEATURES	**MNIR Request:** **C Order** **E in SECT Field**

```
MNID                                          MI/AV I   4D

TN           CUS TD     DD     APT MAC ACC AO     CS  SLS
408-705-9000 529        09305  W               09265 1FR AAAAA1111
ORD          SU    EX      STA APP CD     IOP CT TX RA SP CON AC
C18541937          QX ZZ       R              R
TAR     |053
ACNA    |R
WA      |99# EDEN WY,HLSBRO
WN      |HALL JACKIE
---S&E  |
R1      |MVR/REF A CG 22
01      |MVRCW
01      |MVRCD
---RMK  |S
RMK     |GINNY 415-542-5693
```


1174

CALLING CONVENIENCE SERVICES PACKAGE 1

**REMOVE 1 LINE OF
2 LINE ACCOUNT**

CURRENT CSR

```
---S&E
1      1FR/TN 705-4482
1      1FR/TN 705-7821
1      MVR/FN 4482/REF A CG 22
1      MVRCW
1      MVRCD
```

```
TN              CUS TD     DD      APT MAC ACC AO     CS    SLS
408-705-4482 442          09305 W               09265 1FR   AAAAA1111
ORD           SU    EX     STA APP CD      IOP CT TX RA SP CON AC
C448250043          QX ZZ       R             '  R
TAR     |053
ACNA    |R
WA      |99# EDEN WY,HLSBRO
WN      |ANDERSON PATRICIA
---TFC  |
TC      |DNR
---S&E  |
O1      |1FR/TN 705-7821/PIC 10XXX
D1      |MVR/FN 4482/REF A CG 22
E1      |MVR/REF A CG 22
---RMK  |S
RMK     |GINNY 415-542-7795
```

PIC + Applicable Data Req'd On Equal Access Prefixes Only

118

CALLING CONVENIENCE SERVICES PACKAGE 1

CHANGE FROM CALLING CONVENIENCE SERVICES PACKAGE 1 TO SINGLE LINE SERVICE	**MNIR Request:** **C Order** **E in SECT Field**

```
MNID                                              MI/AV I      4D

TN              CUS TD     DD     APT MAC ACC AO     CS  SLS
408-705-9000 529           09305 W                   1FR AAAAA1111
ORD          SU    EX     STA APP CD     IOP CT TX RA SP CON AC
C18546253          QX ZZ      R              R
TAR     |053
ACNA    |R
WA      |99# EDEN WY,HLSBRO
WN      |HALL JACKIE
----S&E |
C1      |1FR/TN 705-9000/PIC 10XXX
T1      |1FR/PIC 10XXX
I1      |NWCPS
O1      |MVR/REF A CG 22
O1      |MVRCD
----RMK |S
SPA     |GINNY OOS AFT 5 PM
        |TOM 408-774-6038
```

PIC + Applicable Data Req'd On Equal Access Prefixes Only

118A

CALLING CONVENIENCE SERVICES PACKAGE 1

CHANGE TELEPHONE NUMBER o RECAP MVR o CALL THE NAC FOR TELEPHONE NUMBER ASSIGNMENT	**MNIR Request** **C Order** **LTE in Sect**

MNID

```
TN              CUS TD     DD     APT MAC ACC AO     CS    SLS
408-557-4492 336           09305  W                  1FR   AAAAA1111
ORD          SU    EX     STA APP CD      IOP CT TX RA SP CON AC
C97057721          RE QZ      R               R
TAR      |053
OTN      |408-327-6921
ACNA     |R
WA       |99# EDEN WY,HLSBRO
WN       |DAY LARRY
---LIS   |T
IA1MNL   |  DAY LARRY
I  LAD   |  99//EDEN WY/HLSBRO
---TFC   |
TC       |408-557-4492
---S&E   |
C1       |1FR/TN 327-6921/PIC 10XXX
T1       |1FR/PIC 10XXX
I1       |NCK
R1       |MVR/REF A CG 22
---RMK   |S
RMK      |CBR 415-564-6693
         |GINNY 415-542-7794
```

PIC + Applicable Data Req'd On Equal Access Prefixes Only

117

CALLING CONVENIENCE SERVICES PACKAGE 1

CHANGE TELEPHONE NUMBER TO ACCOMMODATE CALLING CONVENIENCE SERVICES PACKAGE 1	MNID Request C Order LTE in Sect
o CALL THE NAC FOR TELEPHONE NUMBER ASSIGNMENT	

MNID

```
TN              CUS TD     DD     APT MAC ACC AO     CS    SLS
408-554-7492 554         09305 W                     1FR   AAAAA1111
ORD        SU      EX      STA APP CD      IOP CT TX RA SP CON AC
C55377944          RR OZ       R               R
TAR      |053
OTN      |408-554-1157
WA       |55# DONAHER RD,HLSBRO
WN       |BRIGGS WENDY
----LIS  |T
IA1MNL   |  BRIGGS WENDY
I  LAD   |  55//DONAHER RD/HLSBRO
----TFC  |
TC       |408-554-7492
----S&E  |
C1       |1FR/TN 554-1157/PIC 10XXX
T1       |1FR/PIC 10XXX
I1       |MVR/REF A CG 22
I1       |NCK/NC/DES ACCOM CHP
----RMK  |S
SPA      |PAT OOS AFT 5PM
         |CBR 408-555-3385
         |GINNY 415-542-5583
```

PIC + Applicable Data Req'd On Equal Access Prefixes Only

1194

CALLING CONVENIENCE SERVICES PACKAGE 1 - MVR

General Information

Standard Package includes:

- Touchtone
- Call Hold
- Call Forwarding
- Conferencing

Optional features include:

- Call Waiting
- Convenience Dialing (Speed Call 6)

Availability

- All single line residence and business customers.
- Served by a 1/1AESS central office

Not available with:

- Custom Calling
- Coin Services
- Temporary suspends
- Intercom
- Business Answering lines
- RCF
- WATS/800
- Concessionable rates.

Billing

- Minimum billing applies to Calling Convenience Services Package 1.
- Calling Convenience Services Package 1 is subject to all applicable surcharges and taxes.

CALLING CONVENIENCE SERVICES PACKAGE 1

Standard Feature Package

- Touch Tone
- Call Hold
  - Description
    - Call Hold allows an established incoming or outgoing call to be placed on hold.
  - Operation

    To put call on hold:

    - Depress switchhook
    - Listen for special dial tone
    - Dial *9

    To return to held call:

    - Replace receiver
    - Wait for ring back
    - Answer telephone with original caller on line.

    To go between held call and 2nd call:

    - Flash switchhook and dial *9.
  - Limitation
    - Call Hold feature cannot be used by the initiator of a conference call.

CALLING CONVENIENCE SERVICES PACKAGE 1

Standard Feature Package - Continued

- Call Forwarding

  - Description

    - Call Forwarding enables the user to transfer all incoming calls to another number.

  - Operation

    Activate feature

    - Dial *72
    - Listen for dial tone
    - Dial number of outside line

    Deactivate feature

    - Dial *73
    - Listen for confirmation tone.

- Conferencing

  - Description

    - Conferencing enables the user to create a three-way conference.

  - Operation

    - Depress switchhook
    - Listen for special dial tone
    - Dial 3rd party
    - Depress switchhook after 3rd party answers to establish 3-way conversation.

CALLING CONVENIENCE SERVICES PACKAGE 1

Optional Features

- Call Waiting

  - Description

    - Call Waiting alerts the user on an established call that another call is waiting.

  - Operation

    - User hears special dial tone

    - To answer the call:

      - Hang up from original caller

        OR

      - Depress switchhook
      - Listen for special dial tone
      - Dial *9

- Convenience Dialing (Speed Call 6)

  - Description

    - Convenience Dialing enable user to program up to 6 frequently called numbers and reach any number on that list by dialing a * symbol and 1 digit.

  - Operation

    To establish list:

    - Dial *75
    - Listen for special dial tone
    - Dial any 1 digit code from 2 to 7
    - Dial telephone number to be associated with that 1 digit code.

    To use list:

    - Dial * and the 1 digit code associated with the number.

CALLING CONVENIENCE SERVICES PACKAGE 1

USOC's and Rates

FEATURES	USOC	MO. RATE	SERVICE CHARGE
Standard ● Touchtone ● Call Hold ● Call Forwarding ● Conferencing	MVR	8.20	10.00
Optional ● Call Waiting ● Convenience Dialing	 MVRCW MVRCD	 3.50 5.00	 5.00 5.00

- Charge Application
  - A service charge applies to:
    - Add Calling Convenience Services Package 1 features
    - Miscellaneous changes (NWCPS)
      - Change Calling Convenience Services Package 1 to single access line.
  - No service charge applies to:
    - Number change to accommodate Calling Convenience Services Package 1

Due Dates

Due Date Interval	3 Bus Days	5 Bus Days
Establish Calling Convenience Services Package 1		X
Add or Change Optional Features	X	
Change Calling Convenience Services Package 1 to Single Line Service		X

CALLING CONVENIENCE SERVICES PACKAGE 1

TABLE OF CONTENTS

GENERAL INFORMATION

References	• Tariff A5 • ROC Guide • SRHB • TOPS Job Aid
Introduction	This ROC Guide provides guidelines for handling requests for Calling Convenience Services Package 1.
Description Of Service	Calling Convenience Services Package 1 is an optional telephone service arrangement of ESS central office features furnished to single line residence and business customers.
Features	Calling Convenience Services Package 1 features are: • Standard 4 feature package - Touch Tone - Call Hold - Call Forwarding - Conferencing • Optional features - Call Waiting - Convenience Dialing
Customer Availability	Calling Convenience Services Package 1 is available to customers: • Served by a 1/1AESS central office with Centrex common blocks (See APTOS program 52 sub program 4) • Who have individual residence or business lines.

continued

GENERAL INFORMATION - continued

Limitations

Customers with the Calling Convenience Services Package 1 may not have the following services:

- Custom Calling Services
- Coin Services
- Temporary suspends
- Intercom
- Business Answering Lines
- RCF
- WATS/800
- Concessionable rates.

STANDARD FEATURES

Introduction	This section explains the operation of the Standard 4 Feature Package.
Touch Tone	Touch Tone is a standard feature on the Calling Convenience Services Package 1.
Call Hold	Call Hold allows an established incoming or outgoing call to be placed on hold.

- Operation
  - User depresses switchhook and listens for special dial tone
  - Dials *9 and listens for regular dial tone
  - Regular dial tone indicates the call is on hold and line is free to:
    - Dial another number
    - Remain on hold.
  - After terminating second call and before returning to original caller the user may flash switchhook within 15 sec. to place another outgoing call.
  - To return to original call, user either:
    - replaces receiver

      OR
    - dials *9
  - When the telephone rings back, user is reconnected to original call.
  - To go back and forth between calls, flash switchhook and dial *9 (This does not allow calls to be conferenced together)
- Limitation
  - Call Hold cannot be used by the initiator of a conference call during the conference

continued

STANDARD FEATURES

Call Forwarding

Call Forwarding enables the user to transfer all incoming calls to another number.

- Operation
  - User activates the feature by dialing *72 and listening for dial tone
  - Dials number of outside line
  - Deactivates the feature by dialing *73 and listens for confirmation tone.

Conferencing

Conferencing enables the user to create a three-way conference.

- Operation
  - User depresses the switchhook and listens for a special dial tone
  - Dials the third party
  - When the party answers, depress the switchhook to add first party for a three-way call.
- Limitation
  - Call Hold cannot be used by the initiator of a conference call during the conference
  - If the user depresses the switchhook during the conference, the last party added will be disconnected unless the user has Call Waiting. Then, the switchhook can be depressed to answer the incoming call.

OPTIONAL FEATURES

Introduction

This section explains the operation of Optional Features.

Call Waiting

Call Waiting alerts the user on an established call that another call is waiting.

- Operation
  - User hears a short dial tone (only one burst of the special dial tone)
  - Calling party hears regular ringing
  - To answer the call, the user may:
    - Hang up from original call and the telephone will ring back connecting the waiting call.

      OR

    - Depress switchhook and listen for special dial tone
    - Dial *9 and the waiting call will be connected.

Convenience Dialing

Convenience Dialing (i.e., Speed Calling) enables the user to program up to 6 frequently called numbers and reach any number on that list by dialing a * symbol and 1 digit.

- Operation
  - To establish the 6 call list, the user dials:
    - *75 and listens for dial tone
    - Any 1 digit code from 2 to 7
    - The number that is to be associated with the 1 digit code.
  - To dial a number on the Convenience Dialing list, the user dials:
    - * and digit code associated with number.

CHARGE APPLICATION

Introduction

This section provides Calling Convenience Services Package 1 USOC's and charge application procedures.

USOC Rating Chart

The following are the Calling Convenience Services Package 1 USOC's and rates:

Features	USOC	Mo. Rate Res.	Mo. Rate Bus.	Service Charges Res.	Service Charges Bus.
Standard • Touch Tone • Call Hold • Call Forwarding • Conferencing	MVR	8.20	8.70	10.00	25.00
Optional • Call Waiting • Convenience Dialing	 MVRCW MVRCD	 3.50 5.00		 5.00 5.00	 6.00 6.00

Minimum Billing

Minimum billing applies to Calling Convenience Services Package 1 features.

Service Charge

The I action code with Calling Convenience Services Package 1 USOC's generate the service charges appropriate to the class of service.

Change Between Systems

Changes from Calling Convenience Services Package 1 to Premiere 6 or 20 or vice versa requires the application of the full service connection charge for all features, including those features already in the Calling Convenience Services Package 1. The charges are applicable because the features must be completely reprogrammed.

When changing to Calling Convenience Services Package 1 all programmable features must be reprogrammed by the customer. This includes those programmable features they had as CCS.

continued

CHARGE APPLICATION - continued

Network Change Charge	A Network Change Charge (NWCPS) is applicable when changing Calling Convenience Services Package 1 to single line residence or business. The cost of the NWCPS is $5.00 per line for both residence and business. NOTE: If the line is being disconnected completely, a **NWCPS** is **NOT** applicable
NWCPS Charge NOT Applicable	A Network Change Charge is **not** applicable to: • Change telephone number to accommodate Calling Convenience Services Package 1 (show NCK/NC) • Remove optional features.

SERVICE REPRESENTATIVE RESPONSIBILITY

Introduction

This section identifies the order negotiator's responsibility as it pertains to Calling Convenience Services Package 1.

Responsibility

It is the order negotiator's responsibility to:

- Check APTOS program 52 sub program 4 for availability
- Review the requirements and limitations
- Advise of **OUT OF SERVICE** intervals (see Service Order Information section)
- Call NAC (Number Assignment Center) on orders to establish Calling Convenience Services Package 1 and change telephone number
- Provide for NAC:
  - Telephone number
  - Order number and due date
- Obtain from NAC the Centrex Group (CG) number. It is a 2 digit number used for ESS translations.
- Mail the customer(s) the post-sale package.

SERVICE ORDER INFORMATION

Introduction

This section provides the service order information necessary for Calling Convenience Services Package 1 orders.

Order Type

Orders to establish Calling Convenience Services Package 1 may be N, T or C. Orders to remove Calling Convenience Services Package 1 may be C, F or D.

Action Code Chart

Action Code	Used To . . . .
I/O	Add or remove features
C/T	Change - Line to Calling Convenience Services Package 1 - Telephone Number
E/D	Correct/Update information for record purposes only.

Out of Service Interval

Customers subscribing to Calling Convenience Services Package 1 will have their "regular" lines redefined through ESS translations. This translation takes about one hour, during which time the customer's line will be **OUT OF SERVICE (OOS).** Due to mechanical reasons, the only recording which can be placed on the line is a disconnect recording.

Customers may be offered OOS time between 8:00 AM and 5:00 PM. Specific time frames between these hours must be negotiated with RCMA. Offers of OOS before 8:00 AM and after 5:00 PM may be offered without RCMA negotiation. A customer's line will be out of service to:

- Change to or from the Calling Convenience Services Package 1.

> NOTE: Optional features are not subject to OUT OF SERVICE interval.

Due Dates

See SRHB, Network Services for due date information.

SERVICE ORDER INFORMATION - continued

As Of Date	Orders to remove Calling Convenience Services Package 1 require an as of date and a due date.
New USOC's	The new USOC's for Calling Convenience Services Package 1 are: • MVR • MVRCW • MVRCD
MVR	The MVR USOC appears on orders for New Connects and changes from Single Line Service to Calling Convenience Services Package 1 and vice versa. **EXAMPLE:** C1 1FR/TN 705-9000/PIC 10XXX T1 1FR/PIC 10XXX I1 **MVR**
FN	The FN FID (feature number) is used on multi-line accounts to reference the Calling Convenience Services Package 1 to the associated line. It follows the MVR USOC. **EXAMPLE:** I1 MVR/FN XXXX XXXX indicates the last 4 digits of the telephone number.
Centrex Group Number	Call the NAC to obtain the Centrex Group (CG) number. The CG is formatted behind the MVR USOC: **EXAMPLE:** I1 MVR/REF A **CG ##** The 2 digit CG number that NAC provides is used for ESS translations.
MVRCW	The MVRCW USOC appears on orders when Call Waiting has been requested as an optional feature. **EXAMPLE:** I1 **MVRCW**

continued

SERVICE ORDER INFORMATION - continued

MVRCD

The MVRCD USOC appears on orders when Convenience Dialing (6) has been requested as an optional feature.

EXAMPLE:

I1 **MVRCD**

NWCPS

The USOC NWCPS (Network Change Charge) is formatted in the S&E section.

EXAMPLE:

I1 **NWCPS**

The NWCPS is charged when changing from Calling Convenience Services Package 1 to single line service.

> NOTE: When completely disconnecting the service the **NWCPS** does **not** apply.

Removing Optional Features

When removing Optional Features it is necessary to recap the MVR USOC. The Optional Feature USOC is shown with an O action code.

EXAMPLE:

R1 **MVR/REF A CG ##**
O1 **MVRCD**
O1 **MVRCW**

SPA

The SPA FID (special attention) is a left hand FID typed in RMKS. It is used to provide necessary information to the IC. Show:

- Access name
- OOS (Out Of Service) time
- Negotiator's name & number.

EXAMPLE:

-R
SPA JOAN OOS AFT 5PM
DAVE 885-4937

BILLING

Monthly Rates	Monthly rates for Calling Convenience Services Package 1 are billed in the same manner as other network features. Charges include the cost for Touch Tone. For actual costs see the page on Charge Applications.
Adjustments	Adjustments will be processed in BOSS on the data base in the same manner as other service and equipment ch[illegible]rges.
Surcharge	Calling Convenience Services Package 1 is subject to all applicable surcharges and taxes.
OC&C Statement	For Non Recurring charges the OC&C will read:

USOC	OC&C
MVR	Charge to connect MMM DD, YYYY Calling Convenience Services Package 1
MVRCW	Charge to connect MMM DD, YYYY Calling Convenience Services Package 1 Call Waiting
MVRCD	Charge to connect MMM DD, YYYY Calling Convenience Services Package Speed Calling

Although we have a LIFELINE package available for qualified low-income households and a PREMIUM package for most households with more than 3 people using the phone.

I would reccommend our NEW ECONOMY CONVENIECE PACKAGE for $18.90.

It has our standard service for local and zone calls with a $3.00 credit each month, a 20% discount on all PACIFIC BELL SERVICE AREA calls(btw 12-2p, aft 9p and ALL DAY SATURDAY & SUNDAY), touch tone service, the ability to answer a second line, send your calls to a different telephone number, have a 3-way conversation and our NEW CALL HOLD SYSTEM.

I can start that in 2 days for you.

P.S. If you want to make calling your friends and emergency numbers ONE-BUTTON-EASY also try CONVENIENCE SPEED CALLING for only $5.00.

PACIFIC BELL℠

A Pacific Telesis Company

HERE ARE YOUR LINES—BUT FEEL FREE TO AD—LIB!

You'll find that both Series I and Convenience Package 1 will be an easy sell, and this is just one way to approach a prospect:

"Based on the information you've given me, I'd like to recommend an exciting new product we've just introduced—(Series I) (Convenience Package 1). It's got all the flexibility and convenience you're asking for, and it's very economical. The Call Hold feature allows you to put an incoming call on hold and then dial an outgoing one. And, the entire package also includes Call Forwarding, which will allow your calls to follow you anywhere you go, Three-Way Calling, which will allow you to talk to two people at once, plus the ease and speed of Touch-Tone service. All in all, I think it's just what you need. You can have all these features for just (Series I—business: $8.70) (Convenience Package 1—residential: $8.20) a month. I can order (Series I) (Convenience Package 1) for you today, and I'll send you complete instructions on how to use it."

This information was assembled from information provided by The Advertising and Marketing Communications Division; The Sales Operations Division; The Market Planning Division; and Central Office Services Product Management.

Specific questions can be addressed to your Area Vice President's Staff or the subject matter experts. *Use this document for internal purposes only.*

PACIFIC BELL℠

A Pacific Telesis Company

THE HOTTEST TICKET IN TOWN!

Everyone looks forward to an opening night, and a chance to be among the first to experience a "main event" that's never been seen before.

That's how we think you're going to feel when you hear about our new Series I Communications Management Services for business, and PACIFIC BELL Calling Convenience Package 1 for residence. Series I and Convenience Package 1 are really the beginning of an entirely new era for all of us at Pacific Bell. They represent the wave of the future in the way we approach one of our largest customer bases—the single line category.

The Single Line Customer's Dilemma

Our story begins with the growing need in the single line category, especially with small businesses, for a complete package of services that fully answers the specific requirements of this customer. The single line customer is looking for the same features and services as the multi-line customer, but to date there have been few options.

Pacific Bell to the Rescue!

Finally, we can offer a communications service that gives the single line customer all the flexibility and convenience of a much larger system, but without the expense of a second line or costly terminal equipment.

Here's what Series I and Convenience Package 1 will include:

- **Call Hold.** Our new feature which allows the customer to place outgoing calls while keeping another call on hold.
- **Three-Way Calling.** An on-hold call can be added on to a second call, forming a three-way conference call.
- **Call Forwarding.** All of a customer's incoming calls can be forwarded to another line.
- **Touch-Tone service.** Faster and easier dialing, plus access to many other computerized services.

Optional features, available on an either or both basis, include:

- **Call Waiting.** A tone burst alerts a customer on an existing call that another call is waiting.
- **Speed Calling.** Pre-programs up to 8 numbers for fast and easy dialing.

The Call Hold feature alone, which in effect gives the single line customer the advantage of two lines, would be well worth the price. Add in the other services and it's clear that Series I and Convenience Package 1 are exactly what any single line customer needs.

Here's what it costs:

Monthly Rate:

	Package	**Call Waiting**	**Speed Calling**
Business— Series I	$8.70	$3.50	$5.00
Residence—Convenience Package 1	$8.20	$3.50	$5.00

Service Charges:

	Package	**Call Waiting**	**Speed Calling**
Business— Series I	$25.00	$5.00	$6.00
Residence—Convenience Package 1	$10.00	$5.00	$6.00

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PACIFIC BELL

A Pacific Telesis Company

YOU PLAY THE HERO!

You have the talent and ability to make the Series I and Convenience Package 1 the smash hits we all know they can be. As in any other selling situation, you should concentrate on the customer benefits. And with Series I and Convenience Package 1, the benefits are many:

- Offers all the flexibility, reliability and sophisticated features a single line customer needs, without the big system price.
- Saves time, and increases productivity.
- Allows a customer to tailor a system according to need, and also lays the groundwork for future growth.
- Improves status and image.
- Affords faster, better service to a customer's customers.
- Provides for complete privacy.
- Gives the convenience of a second line to a single line customer.

It's important to remember that Pacific Bell is constantly adding new products and services. In tapping into the Pacific Bell network, the customer is protected from technological obsolescence.

Heros Deserve Rewards!

Here are the incented values for Series I and Convenience Package 1 and the optional features:

Business — Series I		**Residence — Convenience Package 1**	
MVM	11 pts	MVR	$128.00
Options per each	3 pts	Options per each	$27.00

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PACIFIC BELL℠

A Pacific Telesis Company

WHO'S IN THE AUDIENCE

It's a full house! Virtually any single line customer you talk to will derive strong benefits from either Series I or Convenience Package 1. Here are just a few examples of good prospects:

- Small sales offices or retail stores
- Service businesses
- Small professional offices — CPAs, attorneys, architects, etc.
- Home businesses
- Socially active single line residential customers

After you've had a chance to interview the customer, you should recommend Series I or Convenience Package 1 to all those single line subscribers who:

- Want the flexibility and features the Package offers, and who —
- Indicate a need for an additional line, but are looking to control costs.

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PACIFIC BELL SM

A Pacific Telesis Company

WIN TOP BILLING—AND A VIDEO CASSETTE RECORDER!

Here's the fun part! Just think of the *most creative sales application* for either Series I or Convenience Package 1—use the product in an innovative manner to solve a potential customer problem and enter your idea in our *You're the Star Sweepstakes.* You'll find an entry blank in the left side sleeve of this kit.

It's definitely worth your while to start thinking of ideas right now, because just take a look at this great lineup of prizes to be given away:

- **10 RCA Video Cassette Recorders**
- **1,000 tickets for two to a movie theatre in your area!**

The contest begins October 7 and ends November 4, 1985. Entries will be judged on their creativity, feasibility and revenue potential. Multiple entries may be submitted. Be sure to include your name and office phone number. Prizes will be awarded November 18, 1985. Drop the pre-addressed entry form in company mail.

PACIFIC BELL

A Pacific Telesis Company

IT'S A BIG PRODUCTION!

We're going all-out to introduce Series I and Convenience Package 1 and their many applications and benefits to the general public. Included in the debut is an attention-getting radio and print advertising campaign, directed primarily at business prospects. Radio is slated to run in major metropolitan areas beginning October 7 and newspaper follows the week of October 14. In addition, we'll be sending a direct mailer to both residential and business customers starting October 28.

The idea is to build targeted, top-of-mind awareness about Series I and Convenience Package 1. One medium works off the other, and the end result is that it all makes your job a lot easier by supporting your sales efforts.

In addition to advertising and promotion, the power of the press will back up your sales effort.

News releases will announce Series I and Convenience Package 1 around the state. Package features, applications, benefits, prices and availability are the focus of the story written editorial style. Watch your local media for full details.

Throughout the week of October 14, Series I and Convenience Package 1 will be headlined in issues of Business Report, Update and in a Special Report due on your desktop. On Tuesday, October 15, call your local Pacific Bell Newsline for the scoop on new introductions and make sure to view the October On Line Video Report for a feature on Call Hold.

Customer brochures will be available too. Sales Managers can order them the week of September 30. Use order form CO2254 with the following brochure codes:

PRODUCT BROCHURES		INSTRUCTIONS	
Business	PB662	Business	PB643I
Residence	PB643	Residence	PB643I

Learn all you can about Series I and Convenience Package 1, so that when customers call in for more information (as we all know they will!), you'll be able to convert prospects into solid sales!

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PACIFIC BELL

A Pacific Telesis Company

YOU REALLY ARE THE STAR OF THE SHOW!

All the excitement and glitter of opening night mean nothing without the presence of the star—and that's you! We're counting on another award-winning performance from you to help make this one of our most successful programs ever.

Together, Series I and Convenience Package 1 are just the beginning of our Product Continuum. It allows us to serve the needs of the single line customer, both now and in the future.

The Communications Management Service Series will expand in 1986 to provide our customers with the ability to grow to larger line sizes and more sophisticated technology without cumbersome system changes and fees.

The PACIFIC BELL Calling Convenience Packages will expand to provide our residence customers with an array of technology and sophistication—packaged to make their shopping easy.

These are the first steps in our on-going efforts to position Pacific Bell as the foremost market leader for the 1980's—and beyond.

The system's in place, the advertising and promotion are set and everything's ready and waiting—for you!

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PACIFIC BELL

A Pacific Telesis Company

BACK STAGE SUPPORT!

We can't open a new show without props. Behind this sheet are the updates for the Service Order Marketing Manual (SOMM) or the Residence Order Contact Guide (ROCG) and your Total Order Processing System AID (TOPS AID). We have one for each of you to make your training easier.

This information was provided by the Service Order Systems District.
Specific questions can be addressed to your Area Vice President's Staff or the subject matter experts.
Use this document for internal purposes only.

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SALES BULLETIN (con't.)

The installation charges should also be packaged. It's easier to remove charges and tell them it will be less, than to keep tacking on additional money. When verifying charges-be sure to say that these charges include the installation of the network access, the touch-tone line and the custom calling features. (Break down charges only if the customer requests)

Installation:

1FR, TTR, CCS (8sp cl):	$42.50	(+ labor if needed)	IB $14.16/mo.
1MR, TTR, CCS (8sp cl):	$42.50	(")	"
1FR, TTR	$37.50	(")	IB $12.50/mo.
1MR, TTR	$37.50	(")	"
1FR or 1MR (access only)	$34.50	(")	IB $11.50/mo.

CHANGE ORDERS: It should be easier to sell on change orders now, because the NRC's are lower.

EXAMPLES:

"Mr. Customer, due to the recent changes in our rate strucure, I am (we are) now able to make certain changes in your service at a lower charge than before and in some cases-at no charge. Perhaps now would be a good time to review your service needs--may I ask you a few questions?"

UNTIL 10-1-84

"Ms. Customer, from what you've told me, I would recommend changing your service to our standard economy plan. You will save $3.80 per month and there is no charge for the change before Oct. 1st."

"Mr. Customer, did you know that for only $19.45(1MR $15.45) per month, you can have the most modern service available--and there is only a charge of $8.00 to add these features for you. (IB is only $2.66 per month)

OBJECTIONS: There are two main types of objections: Price(It costs too much!) and Product(I don't need that!)

PRICE: "I can understand your concern about cost. This package is tailored to your individual needs. You get the best service for the lowest price. Your service will only cost you about 52¢(65¢ 1FR) per day. That's why I'd like to order the (standard/premium) service for you."

SALES BULLETIN: (con't)

PRODUCT: "If you haven't tried our services, I'd suggest you experiment with the package.. We can always remove the Custom Calling Services for you at no charge. Or if you determine our standard service is not suited to you, I'll be glad to change it to our premium service at no charge until Oct. 1st."

Remember: There is still no charge to change a number to accomodate Custom Calling.

and: When your customer asks for IDDD, and they don't have Custom Calling, sell them Speed Calling to make it easier to make those overseas calls.

5-9-85

It has been brought to our attention by the Premiere group that Wilshire Plaza RTOC is not generating as many Premiere referrals as we have the potential for. Therefore, we are giving you each a copy of the brochure the Premiere group sends to customers. We hope this will aid in explaining the features of Premiere 6 to the customers and also give you a better understanding of how Premiere can benefit the customer.

Here are some other suggestions by the Premiere group:

1) Fact find about the ADL, who uses it, and why the customer's getting it.

2) Let the customer know that if they get Premiere their line will be associated with the other ADL(s).

3) When transferring the customer, tell the Premiere rep what features and points were discussed with the customer.

4) If your customer wants a call back, get a good CBR for the same day, and the next day as well.

5) Lastly, some customers are leery of being transferred yet one more time. For these customers, assure them that the Premiere group is the last stop for them. Even if they elect not to take Premiere (and they should take it if the fact-finding was thorough), the Premiere rep will take whatever order the customer wants, whether it's for an ADL or to add CCS.

Don't forget the contest for May. Dodgers & Angels tickets for every three Premiere sales!!!

A drawing at the end of the month for a week-end for two in Las Vegas!!!

Also, if you have any suggestions as to contests or prizes for Premiere sales, let your Premiere reps know or call the Premiere group!

GOOD LUCK WITH MORE REFERRALS!!!

Thanks,

Rona

&

Carmen

August 19, 1985

To The Residents of:

JEWEL MANOR - 2801 ORCHARD AVENUE
CENTURY APARTMENTS - 3115 ORCHARD AVENUE, BLDG. 1 OR 2
TERRACE APARTMENTS - 1275 W. 29TH.
LA SORBONNE APARTMENTS - 1170 W. 31TH.

THE QUICK AND EASY WAY TO ORDER TELEPHONE SERVICE

All you'll need to do to place your order is:

Call your Pacific Bell Service Representative on telephone number 488-6466, Monday through Friday, 8:30 a.m. to 5:00 p.m.

Before you call, consider:

- The type of local calling service you will need.

  We have three types available in your area -

  Premium Unlimited . . . . $8.25 Mo.
  Standard Measured . . . . $4.45 Mo.
  *Universal Lifeline . . . . $1.48 Mo.
  *This service is limited to only 30 local calls per month and certification is required.

- Our Custom Calling Features:

  CALL FORWARDING - Transfers your calls to another number to take messages or to a number where you can be reached - by having this feature you won't have to stay home waiting for an important call.

  3 - WAY CALLING - Allows you to talk with two different people at the same time. This way you can avoid making several calls to schedule meetings, parties or study groups.

SPEED CALLING - Enables you to dial frequently called numbers at the touch of 1 button. This is great if you make long distance or international calls.

CALL WAITING - Lets you know when someone is calling, even if you are using the phone. It allows you to put the first call on Hold and answer the second call. This is very helpful if you have a roommate or use the phone alot.

We recommend you order all 4 features to save money on the service connection charges.

- Our Discount Calling Plans:

  WIDE AREA CALL BONUS - Allows you to call any where in your service area at a reduced rate during specific off-peak hours. Discounts range from 20% to 35%.

  COMMUNITY CALL BONUS - Gives you a calling credit and discount to a particular community i.e. Huntington Beach for $8.55 a month gets you $24.40 calls FREE AND 30% discount.

  CIRCLE CALL BONUS - Get 30% discount all day on calls beyond 16 miles within 40 miles of your phone.

- And, of course, you will need a TouchTone line so that you may use any telephone on your line.

- If you have a roommate sharing the service, we can also list their name.

For ease of ordering, you may select one of the following and tell the Service Representative the plan you want when you call.

CALIFORNIA PLAN

- Measured Local Calling
- 4 feature Custom Calling
- TouchTone capability
- Wide Area Call Bonus**

$18.40 per month.

UNIVERSITY PLAN

- Measured Local Calling
- 3 feature Custom Calling
- TouchTone capability
- Wide Area Call Bonus**

$16.40 per month.

MULTI-USER PLAN

- Unlimited Local Calling
- 4 feature Custom Calling
- TouchTone capability
- Additional Listing
- Wide Area Call Bonus**

$22.70 per month.

STARVING STUDENT PLAN

- Measured Local Calling
- 2 feature Custom Calling
- TouchTone capability
- Wide Area Call Bonus**

$14.40 per month.

* These monthly rates DO NOT include 30 code Speed Calling.

** 20% discount 12-2 and 9 p.m. to 8 a.m. Monday through Friday, all day weekend.

All Pacific Bell customers will also be charged a $1.00 monthly access charge per the FCC.

Please have ready:

- Your address and apartment number
- Your Social Security number
- Any previous telephone service numbers

We hope this letter will help you to select and order the best telephone system for your needs. Thank you in advance for your business and if you have any questions, don't hesitate to call.

Your PACIFIC BELL Service Representative

Enclosures

MEMO FOR EVERYBODY

SUBJECT: NEW USC STUDENTS

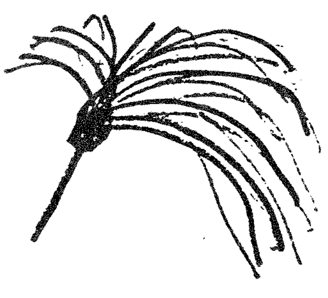
IT'S THAT TIME AGAIN USC STUDENTS ARE MOVING IN.

TO MAKE IT EASIER ON US AND THEM A PACKAGE "WE'VE GOT YOUR NUMBER" WAS LEFT AT OUR DEDICATED ADDRESSES.

THE PACKAGE CONTAINED A LETTER (C-ATTCH), A CALL BONUS BROCH, AND A CUSTOM CALL SLIDE.

HOPEFULLY THEY WILL READ THE INFORMATION PRIOR TO CALLING US AND KNOW WHAT THEY WANT.

RAH!!!



MICHELLE 8-21-85

CEBADVDNV

"SUGGESTED SALES SCRIPT"

We have lots of different services available for you at your new address* Let me start by explaining two packages which are very popular. If one of these packages appeals to you, then great!, if not, we will talk about other options, OK?

*First? if qualify for IPB

ULS PKG.

12.68

"The first is the Premium Package", which is $19.45 a month and the next is the Economy Package, which is $15.65 a month. Both of these packages include: standard touchtone lines, which means you can plug in either pushbutton or dial phones. They are both single party services, so you're not sharing the line with another family. They both include the ability to answer a second call while you're already talking or to forward your calls to another number when you're not home, to automatically dial your emergency and frequently called numbers, and to put a call on hold and call out and even have a 3-way conversation if you'd like.

The basic difference between the two packages is that the Premium Package at $19.45 gives you unlimited local calls, and the Economy Package at $15.65 gives you a measured rate service which gives you a $3.00 allowance toward your zone 1, 2, and 3 calls.

Which do you think would be the best for you, the Premium Package or the Economy Package?"

With either choice I reiterate the 1FR/1MR difference to make sure the customer gets the proper class of service for their needs. Interviewing may be included at times.

If the customer doesn't understand, or if he raises any questions, I explain again, possibly in more detail, then again offer the choice between the two packages, or recommend one or the other with a personal recommendation based on information I received while interviewing.

ENTHUSIASM, POSITIVE ATTITUDE, A SMILE IN YOUR VOICE AND PRIDE IN WHAT YOU'RE EXPLAINING ARE VITAL TO THE SALE!!!

GOOD LUCK AND HAVE FUN!!!!!!

Statement of AT&T

before the

California Legislature

Assembly Utilities and Commerce Committee

October 23, 1985

<u>Divestiture and Deregulation:</u>

<u>Impact on Telecommunications Labor and Service</u>

Timothy L. Porter

Statement of AT&T
before the
California Legislature
Assembly Utilities and Commerce Committee
October 23, 1985

Divestiture and Deregulation: Impact on Telecommunications Labor and Service

AT&T would like to thank the Committee for the opportunity to speak today on the subject of changing telecommunications environment. The Committee's questions are at the least, all embracing concerning this topic and I would like to discuss with you what I believe are the four main topic areas of concern to the Committee. They are: (1) The impact of divestiture and deregulation on the long distance market place, (2) The impact of the changing telecommunications environment of industry employment, (3) The status of Equal Access, and (4) Universal Service.

1. What is the impact of telecommunications deregulation and the AT&T divestiture on the long distance marketplace?

It is important to make the distinction between telecommunications deregulation and the AT&T divestiture because the two are not one in the same. Both, however, are symptomatic of the introduction of competition into formally monopoly markets.

AT&T is still heavily regulated even though it has been divested of its operating companies. On the other hand, deregulation has occurred in the telecommunications marketplace for the long distance carriers other than AT&T. They have the ability to operate in California without the regulatory oversight and constraints that are put on AT&T.

The citizens of California should have available to them ubiquitous, high quality and reasonably priced telecommunications services. This will be achieved through a policy which offers: the most efficient and cost effective price options to the consumer; improved and new services from new technology; and the opportunity for the development of new business and the creation of jobs.

The promise of competition envisioned by Divestiture has been retarded by continued unnecessary and unequal regulatory involvement in the marketplace, which denies customers the rapid delivery of new services and price reductions. AT&T still carries the burden of handicaps from its monopoly past, while its competitors receive special advantages as they operate nearly free of regulation.

AT&T Communications is clearly not a monopoly. It is a competitive interexchange carrier. The regulatory process designed to govern a monopoly and replicate the effects of competition has been rendered obsolete by the competitive telecommunications marketplace.

Traditional regulation imposes constraints which prohibit necessary pricing flexibility and the introduction of new services required to meet competitive challenges. The result is to place barriers to achieving an effective competitive marketplace.

It is generally recognized that the telecommunications industry today operates in a very different way than it did prior to the introduction of competition. Although AT&T is now about one-fifth of its pre-divestiture size, the company is characterized by many as dominating the long distance market. The truth is - AT&T already faces significant competition - both interstate and intrastate - which has been growing at a fantastic pace. Many of these competitors are no longer fledgling little enterprises, but multibillion-dollar corporations with national and international influence.

AT&T has approximately 100 competitors in California. Of these companies AT&T is the only fully-regulated interexchange carrier. AT&T serves all markets, while its competitors are allowed to be selective in the markets they serve. AT&T's competitors typically penetrate heavy-user markets leaving AT&T the only carrier providing service to many rural areas.

A study done in California by Lou Harris approximately one year after divestiture showed that 22% of customers who spend $50 or more on long distance each month used one of AT&T's competitors. 38% of all large business customers used an alternative carrier and for those businesses that spend $300 or more each month on long distance, 61% used a carrier other than AT&T. 54% of these customers had just recently begun using AT&T's competitors. According to the U. S. Department of Commerce, AT&T's total nation-wide market share is now 63%

In a monopoly environment, traditional pricing policies established a large subsidy for local exchange services from toll services. The access charge structure which replaced the old subsidy keeps long distance prices artificially high. It is in this environment that carriers and customers are looking for alternative ways to access the telecommunications network.
If access to the local exchange network is priced correctly, there will be little need for anyone to bypass the local exchange companies. The California Public Utilities Commission has correctly assessed the threat of bypass in their recent Access Charge Proceeding and AT&T supports the

thrust of their program to reduce access charges however, the Commission should be doing even more to reduce these charges.

In a recently published draft report by the National Telecommunications & Information Administration it was concluded that competition is the correct course of action for policy makers to take. Based on the evidence to date, the report concludes that competition has had a positive effect on telecommunications service and product providers and users. The report states that "too little emphasis has been given to the substantial gains which have been achieved in this and other communications fields, the entire new industries which have emerged as a direct consequences of pro-competitive government policies, and the new choices which have been made available to the public".

The report states that the competitive and deregulatory developments in the U.S. "have demonstrably proven of considerable benefit both to ordinary American consumers and U.S. industry as well," and while there have been some adverse effects in the transition to a competitive environment, they "generally have been less dramatic than conventional reports might suggest".

The study adds that, "the available evidence clearly shows that, while rates have increased, the increases have been far less than popularly imagined and that in the long, run, newer plant and equipment will enable local exchange companies to handle much more traffic and reduce per-unit costs of service. The report concludes that "by nearly any measure, U.S. local telephone service remains a genuine bargain and, in terms of cost, quality, and availability, is unmatched in the world."

In summary, Twenty-one months have passed since divestiture. The action needed to bring customers the benefits they should expected from the massive reorganization of the telephone business is clear. However, little action has been taken. The regulatory restrictions which inhibit AT&T from bringing creative and competitively-priced services to the market swiftly, and from organizing itself rationally to provide customers these services, must be eliminated. These restraints were designed for a different era, and now hurt rather than help consumers. Having come this far down the road with competition, and having endured the turmoil, there really is no other choice: the only way to ensure that real competition starts and that consumers benefit from it is to let all competitors compete equally.

2. <u>What is the impact of telecommunications deregulation and the AT&T Divestiture on consumers, industry workers and labor unions?</u>

Today, AT&T has nearly 25,000 employees in California at 74 work locations. It is of paramount concern to AT&T that its employee's job security be as insulated as possible from the effects of the volatile telecommunications marketplace.

The best way for employee jobs and consumer service to be insured at AT&T is for AT&T to become a profitable company and by removal of unequal regulatory treatment.

For example, since commencing operations in January, 1984, AT&T Communications of California has reflected a wholly inadequate earnings level on its intrastate operations. The 1984 end of year results reveal a net income loss of approximately $11 million. The first six months of 1985 reflect a net income loss of approximately $19 million. AT&T Communications anticipates that it will continue to lose money for the remainder of 1985. These inadequate earnings are a result of excessive access charges and billing charges imposed by the local exchange companies, and the fact that the CPUC has not recognized our true costs of doing business.

A large part of our costs of doing business are the essential functions of the personnel in the Marketing, Finance, Public Relations, Systems Engineering and Fundamental Research organizations who perform the functions that allow AT&T Communications to provide telecommunications service to California. Under current California regulatory policy AT&T has not been able to recover these important costs. Without the performance of these functions, and regardless of whether the work is done centrally, regionally or locally, AT&T Communications could not operate.

The long-term financial viability of AT&T Communications depends on Commission recognition of the competitive nature of the telecommunications marketplace. Traditional regulation applied to AT&T Communications is inappropriate, ineffective and ultimately not in the best interests of California consumers.

Lessening of regulatory burdens will free the telecommunications industry to offer new and innovative products that bring more choices to the marketplace, stimulate innovation, meet foreign competition and create more jobs.

For example, lessened regulation has allowed AT&T to expand into new markets and AT&T has recently purchased a silicon chip manufacturing plant in Santa Cruz, CA. to manufacture components for its equipment offerings as a result of this expansion.

The recent layoffs announced at AT&T Information Systems (AT&T-IS) will have little impact on service to customers. The cutbacks will not affect, for the most part, jobs in sales accounts, design and development, and the Computer Systems organization. Despite the expectation of some jobs being eliminated in service positions, the cutbacks will not diminish the company's sales or service capabilities.

AT&T-IS's earnings and its profit margins were not competitive by any measurement. It couldn't return enough money to the business to fund the research and development it needed to meet its competition. AT&T-IS is taking many other cost cutting steps to correct its problems. But the severity of the situation made force reductions inescapable.

To put this event in perspective, it's necessary to look back at the conditions that preceded it.

At the beginning of 1983, when the Federal Communications Commission's Second Computer Inquiry rules went into effect, AT&T-IS began doing business in an entirely new environment as a wholly separate subsidiary of AT&T which was then called American Bell.

AT&T-IS had to build new systems, implement new operating procedures, develop and introduce new products and prepare to enter new markets.

Those challenges would have been tough to handle under any conditions. But, in addition, AT&T-IS entered this new world burdened with handicaps that none of our competitors shared. AT&T-IS's resources were fragmented by CI-II rules and this hampered its ability to manage its operations efficiently. AT&T-IS was forced to duplicate operations and systems which already existed in other parts of AT&T, but which AT&T-IS was prohibited from utilizing. AT&T-IS was prevented from pursuing many market opportunities because of the requirement to deploy valuable marketing and sales resources in parallel with those already in place within AT&T Communication.

As a result of these handicaps, AT&T-IS entered 1983 with only a sales force, a portion of a development organization, and an administrative staff. AT&T-IS had no services organization, no factories, no delivery systems, no customer base, no records and no revenue stream.

When Divestiture went into effect in 1984, AT&T-IS began to reassemble some of the fragments of its business. AT&T-IS added its services organization, and added the installed base of premises-equipment customers which previously had remained under control of the Bell Operating Companies by regulatory rulings.

But by the terms of the MFJ, AT&T-IS also had to add a large number of employees who, by the court's decree, were assigned to AT&-IS from the BOCs in proportion to the physical installed-base assets AT&T-IS acquired.

As the equipment market shifted from a lease-based to a sale-based environment, the value of that installed base began to erode sharply and the need for people to manage it diminished. But because of judicial restraint, contractual obligations, and fragmented operational control, AT&T-IS was unable then to make corresponding force adjustments.

By mid 1985, the FCC granted AT&T-IS's CI-II waiver requests and AT&T-IS was able to bring the rest of the fragments of AT&T's equipment business into the AT&T-IS organization. AT&T-IS added its factories and the rest of its delivery-system operations, and began sharing a limited amount of information with other parts of AT&T.

But AT&T-IS was still prevented by CI-II rules from working closely with AT&T Communications, who had information and assets that were critical to AT&T's mission in the end-user marketplace. Although the FCC has now announced its decision to relax some of these rules, others, notably those dealing with enhanced network services, remain in effect. Because of the complexity of the problem of integrating all the systems and operations that had to be established separately, it will be some time before AT&T realizes the full benefits of that action.

Taken all together, this sequence of events describes a lengthy struggle to reassemble the fragments of AT&T's business into a rational form that could be managed efficiently, and that could be truly responsive to the end-user marketplace. This is a struggle that's not over yet.

Because AT&T-IS was required to build duplicate organizations and use its resources inefficiently, AT&T-IS endured nearly three years of lost opportunities and unnecessary costs. During that time, its market share dropped dramatically although its costs did not.

Despite its best efforts, which included the introduction of a completely new product line, the addition of a number of new distribution channels and several aggressive new pricing strategies, AT&T-IS's share of the key-systems market dropped form 48 percent (in 1981) to only 26 percent (in 1984), its share of the PBX market dropped from 36 percent (in 1981) to 19 percent (in 1984) and, as previously noted, its installed-base revenue stream dropped precipitously.

As a result, this summer AT&T-IS found itself facing a turnaround situation of significant proportion that it had been unable to address effectively while the company remained fragmented. This made the reduction of its workforce a regrettable but necessary move.

Had AT&T-IS been able to participate in the end-user marketplace as its competitors did, with a market-driven strategy and a rationally structured organization, the story would have been quite different.

While 1,300 AT&T-IS jobs in California have been eliminated, that does not mean that 1,300 people are out of work. Employees were offered jobs in other AT&T entities, if they can be found, various incentives for voluntary resignation or early retirement. We have even placed advertisements in newspapers to help place some employees with other employers in the state.

AT&T has had an open door policy with the unions in association with the AT&T-IS layoffs. Under union contracts AT&T has announced to the unions at least in most cases 30 days ahead of time when the layoffs occur. During this time AT&T and the union meet continuously to implement the terms of the force reductions as predetermined in the contract. During this time discussions on the procedures and manner of the layoffs occur the contract has the guideline for the layoffs but, during this time agreements can be worked out on specifics that may not be included in the contract like, temporary people laidoff first, senior people laid off last. etc.

3. <u>What is the status of the "equal access" implementation?</u>

One of the major Court provisions of the AT&T Divestiture required the BOCs to allow any interexchange carrier to be equally connected to local company switching equipment. Introduction of this "equal access" commenced in mid-1984. It is anticipated that virtually all applicable switching equipment will be modified by September, 1986.

As of December 31, 1985, 46 percent of all Pacific Bell end offices will have completed the equal access conversion. By September, 1986, 75 percent of Pacific's offices will have been converted. For General Telephone, five percent of their end offices will have been converted by December, 1985 and a total of 56 percent will have been converted by September, 1986.

Generally, equal access has generated some degree of confusion among telephone subscribers. Primarily, subscribers are confused with the "allocation" process and fact that the customer must make an active choice to subscribe to the long distance carrier they prefer to use. The allocation process is initiated when the LECs send selection ballots to subscribers in equal access conversion areas and request that the subscriber select a long distance carrier. After these ballots are returned to the LEC, any subscriber who has not chosen a long distance carrier is assigned one by the LEC. The long distance carrier assignment is determined by the popularity the carrier has demonstrated by being selected by other subscribers. Subscribers are randomly assigned a long distance carrier in proportion to the percentage of subscribers who have previously chosen a carrier. Subscribers then receive a second ballot indicating the randomly assigned carrier and the option to choose a different carrier within 180 days. The service of the assigned carrier will be effected as indicated on the ballot unless a different choice is made.

Many California customers have already chosen or will choose a primary long distance carrier from among many alternative companies. However, as a result of the allocation process, many of AT&T's customers who fail to respond to equal access ballots will be assigned to other carriers. Furthermore, even customers who have selected AT&T can, for a small fee, choose another primary carrier at any time. Finally, under equal access technology, customers can easily choose any qualified carrier on any given call.

The present deployment of equal access under a specific schedule, culminating in 1986 for Pacific Bell customers, is but on episode in an ongoing history of competition. Customers are now and will continue to be asked to make choices from a great variety of competitive services and pricing options.

Equal access literally puts AT&T's customer base and revenues at constant risk. This represents an especially dramatic example of competition in the telecommunications marketplace.

4. <u>What is the status of the Moore Universal Telephone Service Act in California?</u>

As of December 31, 1984, the 4% tax designed by the Moore Universal Service Act and placed on interexchange carriers by the CPUC, had brought in $36,583,000 of revenue for the Universal Telephone Service program. Claims of only $19,132,000 were filed against the total of revenue in the fund resulting in a $17,451,000 surplus.

Interested parties have suggested a reduction in the 4% tax rate on interexchange carriers because the large surplus. The Commission is not presently inclined to reduce the tax because it believes that a reduction would be premature in light of the program only being one year old. The Commission found the 4% tax rate should continue for another year, and if developments warrant, it will consider reducing the tax effective July 1, 1986.

AT&T has always supported the concept of universal service and will continue to do so. "Universal Service" means the widespread availability of telephone service at reasonable prices. "Reasonable" prices typically recover the costs of

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production. Universal service does not mean or require subsidization of middle and upper income customers' basic rates. There is nothing wrong with expecting these subscribers to pay the full costs of services they choose to consume.

Low-income customers need low-priced telephone service. However, there is no evidence that cost-based pricing significantly threatens universal service. We are not being confronted with any crisis. The movement of telephone service rates toward their costs is happening gradually. Regulators, legislators, and the industry are managing an orderly, if contentious, transition.

Timely and flexible repricing of telephone services is needed to prevent wide-spread bypass of the local exchange companies, which would undermine universal service because of the "bypass spiral".

AT&T supports lifeline telephone service and has firmly supported the interstate Subscriber Line Charge waiver for lifeline customers before the Federal Communications Commission.

However, there is no need to continue the current system of subsidizing everyone's basic service bill whether they need it or not. Most people can afford basic service, and there is no good reason middle and upper-income people should not pay the costs of the services they choose to consume.

Local lifeline programs should be targeted to those truly in need of assistance, and the qualification criteria should be verifiable to prevent abuse.

Any lifeline program must include a targeting mechanism which guards against abuse while minimizing administrative costs and the intrusion into customers' privacy.

Local lifeline programs should be funded in an equitable and economically rational fashion. They should be funded either as other social welfare programs are funded (via state tax revenues or state tax deductions for local telephone companies), or else they should be funded in the same manner as other local telephone services are funded (through residual pricing under the supervision of state regulators).

Recovery of local lifeline funds from surcharges on toll traffic are inefficient and inequitable because only toll users support the lifeline program and the heavy toll users are forced to bear a disproportionate burden.

cta CALIFORNIA TELEPHONE ASSOCIATION
1900 Point West Way, Suite 141 • Sacramento, CA 95815 • (916) 922-4407

October 23, 1985

The Honorable Gwen Moore, Chair
Assembly Committee on Utilities and Commerce

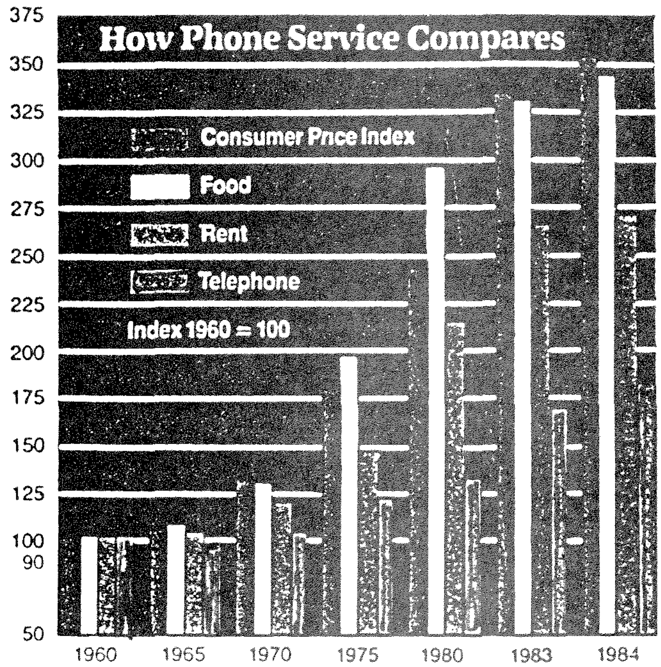
RE: Assembly Utilities and Commerce Committee Interim Hearing "Divestiture and Deregulation: Impact on Telecommunications Labor and Service," October 23, 1985

My name is Robert A. Ringman. I am Executive Vice President of the California Telephone Association, a trade association of the 22 exchange telephone companies in California and the 200 associate members who provide services and products to the industry.

The California Telephone Association appreciates the invitation to participate in your Interim Hearing. I will respond to the discussion issues on behalf of the rural-serving telephone companies. The larger companies are represented in today's hearing.

I will preface my remarks today by calling attention to a recent Gallop poll and the Consumer Price Index. The Gallop poll released last week found that, while everyone complains about telephone bills, 65% of those surveyed agreed that their service is reasonable. They rated local telephone service as good or better a value than electricity, home heating fuel, food, gasoline and postal service. Compared to pre-divestiture, overall quality of the local telephone service was judged as good or better today by 84% of the respondents.

According to the Consumer Price Index, telephone service rates show the lowest increase from 1960 to 1984 of all services and products used by the public. This is our goal in providing universal telephone service to all Californians. Fortunately, for the economically disadvantaged population and the retired elderly, the Moore Univeral Telephone Service Act has assisted in achieving the goal of universal telephone service.



Source: Bureau of Labor Statistics, Department of Labor

Changes have occurred in our industry. I will respond to those changes from the rural telephone company point of view.

Impact of Deregulation and AT&T Divestiture

Consumers: New entrants into the telecommunications business offer competing services and equipment, many times at "special rates" below our costs. Many of these new entrants exit the business abruptly and strand their customers without service or equipment maintenance, causing consumer confusion.

Industry: FCC and CPUC rules and regulations due to deregulation are difficult to interpret, expensive to augment, and add to a company's cost of doing business.

Labor Unions: Large telephone companies are unionized while new, small entrants are not. Large companies have a declining market share and are forced to reduce their work force, affecting union employees.

Consumer and Industry Workers Common Interests: Although long-distance rates will be reduced for some, rising telephone exchange rates are anticipated. These rising costs will lessen the market and reduce long-term employment stability. Further, since we no longer provide end-to-end service, fewer employees are required.

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Impact of Layoffs on Service Standards: There will be very little or no impact. I do not believe layoffs will impact Californians.

Impact of Deregulation, Foreign Competition and Imports on Industry Employment.

Affect on Industry Employment: In the equipment and telephone instrument manufacturing business, foreign competition can undersell American products. Quality of most American products is superior, otherwise the market would shift almost entirely to foreign vendors. I would forecast a decline in American employment in the manufacturing and sales divisions of our industry.

Impact on Local Telephone Service and Equipment:

Local Companies: Certain markets of the local telephone company are declining. Bypassing via a private system is the biggest concern. Although a larger variety of equipment options may now be available, many customers in the rural exchanges do not elect to install the new state-of-the-art communication options.

Are Consumers Adequately Informed?: Companies provide much printed material which can assist in making smart shoppers. However, many people do not read this material and draw assumptions from past service/products use. This results in confusion.

Is Local Telephone Service Sufficiently Flexible and Reasonably Priced?: Yes. Rural companies have access to the same products as the large companies and can provide a system with the options required at very competitive costs. Because of their remoteness, they can be very competitive in their local market area.

Impact of Deregulation in the Long-distance Marketplace.

Rural areas are not profitable for long-distance calling markets, so new entrants have not moved in. Service still is provided by AT&T. A few toll resellers operate in the areas adjacent to metropolitan areas.

Status of Equal Access Implementation.

Equal access is not available in areas served by rural telephone companies. Providers are not willing to extend their services, since the areas are not profitable. Also, some rural exchange switching centers do not accommodate equal access.

Impact of Competition in Long-Distance Marketplace on Employment and Labor Unions

No knowledge. Larger companies should be consulted.

Status of Moore Universal Telephone Service Act:

The rural telephone companies have the highest percentage of lifeline service, varying from 10-30% of their residential subscribers. This is due to the dependence on agriculture and logging incomes, which are depressed. Many would be unable to afford telephone service if the Act had not been made law.

External Marketing of the Universal Telephone Lifeline Program.

Rural company service representatives advise each applicant about the availability of lifeline service. The companies also publicize the program in bill inserts. The most effective marketing is the lifeline customer who tells others.

Future of Universal Telephone Lifeline Service in California.

Numbers will increase in retired households on low fixed incomes. In other households, decreases will occur as employment and income increase.

RAR:pw

ASSEMBLY COMMITTEE

ON

UTILITIES AND COMMERCE

OCTOBER 23, 1985

"DIVESTITURE AND TELECOMMUNICATIONS DEREGULATION:
IMPACT ON LABOR AND SERVICES"

STATEMENT OF

GEORGE SCHMITT

PACIFIC BELL

ASSEMBLY COMMITTEE ON

UTILITIES AND COMMERCE

HEARINGS - OCTOBER 23, 1985

Good morning. I am George Schmitt, Executive Director for Pacific Bell Planning. On behalf of my company, I want to thank you for the opportunity to address this committee on the changes in our industry and their impact on consumers and employees.

As stated in the notice for this hearing, the telecommunications industry is undergoing profound change. Among the reasons for that change are rapid advances in technology and support by the federal government for competition and deregulation. These factors have caused the breakup of the Bell System, a dramatically changed regulatory environment, ever-increasing competition, and new customer needs and demands.

Although divestiture is behind us, the pressure for change has not diminished. Let me give you three examples of areas in which rapid change continues.

- First, with competition increasing, we can no longer sustain the old Bell System practice of using interLATA long distance revenues to subsidize local service. If we persist in doing that, we'll give long distance carriers a tremendous financial incentive to escape the subsidy by bypassing the local network. If they leave, the result will be higher rates for those remaining on the network - largely residential and small business customers.

- Second, competition has intensified the need for Pacific Bell to cut costs wherever possible. That's the only way we can remain financially healthy, meet the competition, and offer our customers the low rates they need.

- Third, market demand and technology permit us to offer a range of new and advanced Information Age services to all our customers. The problem is that we are subject to restrictions which do not allow our network to be all it can be. That simply has to change. By liberating the network from these restraints, we can retain current customers, attract new ones, keep down the cost of basic service, and make life easier and more convenient for everyone.

I want to stress at this time that Pacific Bell recognizes that it is a telecommunication company and has a commitment to maintain basic telephone services for our ratepayers. Pacific Bell's commitment to universal service remains strong and will be honored.

The changes in our industry have raised several issues of particular concern to this committee. They are:

- Customer confusion.
- Lifeline - Its status and future.
- The future of universal service.
- Employment in our industry.
- Equal Access/Easy Access.
- Long distance service and competition.

I'll address each of these issues in some detail.

<u>CUSTOMER CONFUSION:</u>

In the wake of divestiture, our customers are contending with many companies providing many services at different prices, terms and conditions. At the same time, restrictions on Pacific Bell and the other Local Exchange Companies prevent us from offering the simplicity of "one-stop shopping."

Clearly, these changes have confused some customers. That's why we've been working hard to mitigate confusion. And, while much work remains to be done, I believe we're succeeding in most areas.

For example:

- Our studies show that Pacific Bell's customers believe our service today is as good or better than it was before divestiture.

- When customers call us about services and equipment we're prohibited from providing, we're ready and willing to explain their options.

- Our bilingual services allow Pacific Bell to meet the needs of non-English speaking customers.

- We've conducted an educational program among our employees so they're ready to help friends and neighbors get the service they want.

- With assistance from consumer and other groups, we've redesigned our bill to make it easier to read.

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- And we've proposed rate structure changes to the CPUC which will give our customers more flexibility while keeping the cost of service low.

LIFELINE - ITS STATUS AND FUTURE:

To us, Lifeline means the services called for in the Gwen Moore Universal Service Telephone Act. The term universal service has a much broader definition which we'll get to later.

We support Lifeline, and have done so since its inception. We believe it's the key to affordable service for low income families. We also support the effort to target Lifeline to those who need help. We should not subsidize people who are not in need.

The CPUC recently issued its annual report on Lifeline to the state legislature. The report shows 493,768 customers were using the service statewide on June 30, 1985. Pacific Bell has about 350,000 of these customers.

We estimate that about 1.5 million customers are eligible for the service -- which means Lifeline is reaching only one-quarter of those it's designed for. As a result, the Universal Service Fund, which pays for Lifeline, has a surplus of $43 million.

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At Pacific, we reexamined Lifeline because of this low subscription rate and discovered that people want more calling flexbility from the service. That's the case because Lifeline customers have high calling patterns which today make other grades of service cheaper, particularly if they are in families of four or more.

This is why in our current rate case, we're supporting increased choice for Lifeline customers. We're proposing that customers choose from this menu: a limit of 30 untimed local calls, an unlimited use option, and an in-between option of 130 untimed local calls. The 130 call option exceeds what we estimate to be the average number of calls made by eligible customers, 116 a month.

As concerns the promotion of Lifeline, this is an area where we've been active since the program's inception. We intensified these efforts this year by the use of English and Spanish Public Service Announcements on various television stations. The announcements explain Lifeline and how to subscribe to it.

We've also established contact with government agencies and private organizations which represent low income consumers. We've surveyed select groups of customers to get a handle on their awareness of the program. We distributed English and Spanish language brochures to our business offices, and to state agencies and community groups. We conducted advertising trials on TV and radio to assess the impact of media promotions.

Also, the Lifeline certification form, available in Spanish and English, has been revised to explain the levels of service available to Lifeline customers. As required by the CPUC, we notify all customers annually about Lifeline. And we're always looking for new and better ways to spread the word about this service.

The Gwen Moore Universal Telephone Service Act, which created today's Lifeline program, becomes inoperative on July 1, 1988. That's why we've begun developing strategies to ensure that this service continues to be available. We hope to work with the Legislature and the PUC on defining the best approach.

We're committed to Lifeline and believe this service should remain the biggest targeted subsidy in our array of residential service choices.

THE FUTURE OF UNIVERSAL SERVICE:

Pacific Bell strongly supports universal service, which we define as the availability of reasonably priced telephone service for all. One way to achieve this is with Lifeline programs such as the one created by the Gwen Moore Universal Service Act.

Another way, as our industry continues to change, is through the preservation of a financially viable core network. We can do this by moving to reshape current rate structures to allow price and product flexibility, adequate capital recovery, and continued development of the core network.

INDUSTRY EMPLOYMENT:

In the divested and competitive environment, we have taken additional cost-cutting measures to remain strong. New technology also makes it possible to operate with fewer people. Those forces help keep basic rates low while meeting customer demand. We used new technology to reduce cost, improve service, and bring new products to market.

As we make these changes, Pacific Bell is attempting to adhere to a long tradition of job security for its employees. The interest of our employees has been foremost in our plans to cope with change.

For example:

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- We recently signed a comprehensive security agreement with the Communication Workers of America to provide additional protection to our employees. This agreement, which is designed to reduce the negative effects of force reductions, is the first of its kind in the telecommunications industry. In it, we have agreed to take all possible measures to prevent lay-offs when we are faced with surplus conditions. Its provision includes, for example, that overtime will be kept to a minimum to maximize the number of jobs. Another provision is that procedures will be in place to use employees in jobs covered by outside contract labor.

- We offer re-training and alternative jobs to almost all employees declared surplus. Reductions in force at Pacific Bell have been made largely through attrition rather than layoffs. Since divestiture, we have reduced our force by about 8,000 people. Of these, 800 were laid off and 240 subsequently called back to work. This means fewer than 600 people - less than 1% of our workforce - have been laid off. And the vast majority of these people were offered reassignment to another job or location, but refused to move.

- And we have offered various types of financial incentives to our entire force to minimize layoffs.

If Pacific Bell is released from current business restrictions, there will be far less need to reduce our force, and far greater opportunity for all our employees.

We'd also be better able to meet foreign competition, which is having an impact on employment in our industry. Unlike these companies, domestic carriers such as Pacific are saddled with numerous restrictions, among them the separate subsidiary requirement and prohibitions on the types of products we can offer. Moreover, foreign companies frequently receive government support while ours do not.

This is one of the reasons why the foreign share of the CPE market has increased dramatically over the last few years. Freeing the network would reduce the desire for foreign CPE and increase domestic employment. We estimate that Pacific Bell could add 1,200 employees if we received permission to offer some information services.

EQUAL ACCESS/EASY ACCESS:

Equal Access refers to the availability to all interexchange carriers of connections equal in type and quality to those used by AT&T.

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Easy Access is a program which allows customers to subscribe in advance to a primary interexchange company to handle all or the majority of their calls. Easy Access also allows a customer to override his or her primary carrier and select a different company by dialing five additional digits. This is also known as company code dialing.

Equal Access allows interexchange carriers other than AT&T to offer long distance service without requiring additional digits to dial the call. This puts these companies in "parity" with AT&T and provides "equal access to the network."

The modified final judgement requires conversion to Equal Access no later than September 1, 1986. As of today, Pacific Bell is on schedule with about 49% of our offices cut to Equal Access.

Equal Access requires extensive coordination among the operational parts of our business as well as carefully coordinated customer notification and order processing.

Problems have come up in this process, including changes in procedures for handling customers who do not pick a primary carrier. Pacific Bell worked with our regulators on a decision to default such customers to AT&T. This was later reversed by the FCC, which mandated that such customers be allocated to carriers in their area based on the percentages of those who presubscribed.

These kinds of changes have led to more customer confusion about Easy Access than would otherwise have been the case.

Because of these problems, Pacific Bell is leading the way to reduce confusion over Easy Access. We're helping customers choose long distance carriers. We've initiated a "clustering approach" to Equal Access so that conversions can be made at one time in a geographic location. We've established bilingual 800 numbers where non-English speaking customers can get information. These 800 numbers were printed in Spanish and Chinese on the outside of the Easy Access direct mail packages. We also taught our employees how to help their friends, family and neighbors take advantage of Easy Access.

LONG DISTANCE SERVICE COMPETITION:

InterLATA competition has brought more choice and may well bring lower prices to all consumers. But the present structure has also created problems for local exchange companies because interLATA long distance services are priced well above cost to provide a subsidy to basic rates through interLATA access charges paid to us by the interexchange carrier..

This, in turn, makes bypass a real and pressing problem. If bypass increases, it will ultimately drive the cost of supporting the network onto those least able to afford it - residential and small business customers.

This is why we believe interexchange carriers should be prohibited from connecting directly to large customers. If they begin doing that in significant numbers, a bypass spiral could emerge which would reduce revenues to the local company and cause higher rates for the small subscribers who have no choice but to stay on the network.

CONCLUSION:

Divestiture, competition, and deregulation have created a new outlook for the telecommunications industry - one which is always changing, sometimes difficult, and very dynamic and promising.

Local companies, such as Pacific Bell, have to deal with the threat of bypass - and the very real phenomenon of competition - while still saddled with regulatory and judicial restrictions.

In addition, these same local companies must meet their obligation to provide affordable local service, depending on a system of subsidies which is in jeopardy because of the changes sweeping our industry.

Pacific Bell is determined to develop an approach to the business which will benefit our customers, ensure a viable public switched network available to all, keep rates affordable, and allow a fair return to our investors.

We plan to do that by:

- Being customer focused and providing the level and type of service our customers want.

- Being market-positioned and ready to take advantage of opportunities as they emerge.

- Using our resources effectively and taking maximum advantage of technology's ability to increase productivity and lower costs.

- Being effective leaders while developing a culture which allows our employees to develop to their full potential.

- And effectively conveying our message to the public and our regulators.

Thank you.

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TESTIMONY OF GENERAL TELEPHONE OF CALIFORNIA

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE

DIVESTITURE AND DEREGULATION: IMPACT ON TELECOMMUNICATIONS LABOR AND SERVICE

OCTOBER 23, 1985

The committee has expressed an interest in a wide variety of telecommunications issues. Rather than responding to each question, we have grouped them into general subject areas to facilitate more complete answers.

LABOR ISSUES

Over the past several years General Telephone of California has been forced to reallocate/reduce its workforce. Those adjustments have been made without layoffs, and our projections through the end of 1986 indicate that we can continue the reallocation/reduction process without layoffs.

The two major changes driving these workforce reductions are deregulation and mechanization. For example, because of deregulation, GTC no longer needs the vast numbers of telephone installers and repairers that were necessary when the telephone companies were the only source of telephone equipment. In the mechanization area, the conversion from electromechanical to electronic and digital switches has caused a decrease in the need for switch maintenance employees.

To the greatest extent possible, GTC is committed to assisting employees in areas where employment needs are shrinking to obtain the training necessary to enable those employees to transfer to other job classifications within General Telephone of California.

IMPACT OF DEREGULATION AND DIVESTITURE ON CONSUMERS

Because General Telephone of California was not directly involved in the divestiture of AT&T, it is not appropriate for GTC to comment on the effect of divestiture on AT&T/Pacific Bell's customer service. However, as far as General's customers are concerned, over the past five years our service has improved significantly. GTC has contracted with an independent opinion researcher to conduct surveys of customer perceptions of our service in three areas: installation, repair and local dial. Since 1979 customer satisfaction in those areas has contined to increase. Further, over the same period service-related complaints filed with the CPUC have declined from .60 per 10,000 lines to .37.

In the aftermath of deregulation and divestiture, GTC has established a consumer advisory panel to address key issues of concern to GTC and our customers. Generally, customers seem to have accepted the necessity of "shopping" for a telephone in the same way that they would shop for any other small appliance. However, there does appear to be some confusion over the desirablity of renting a telephone versus purchasing one, and we are working with our consumer panel to help us better inform our customers on this issue.

LOCAL SERVICE PRICING AND FLEXIBILITY

Currently, GTC customers in the Los Angeles metropolitan area (essentially area codes 213 and 818 and five exchanges in the 714 area) have a choice of three types of service: flat rate, measured rate and lifeline, if qualified. In our remaining service area, our customers (approximately 40 percent of our residential customers) have a choice between flat rate and lifeline. As plant modernization and the CPUC permit, GTC hopes to offer all customers the option of measured service to better enable us to meet individual customer needs.

EQUAL ACCESS

Equal access will allow customers to designate a preferred long distance company for "one-plus" dialing. Customers will also be able to make long distance calls via other companies by dialing a five-digit access code. Finally, equal access will ensure that all long distance companies have the same high-quality connection to the local customer.

By the end of 1985, 12.8 percent of GTC's customers will have equal access. At the close of 1987, 91.8 percent will have it, with 100 percent availability by the end of 1990.

Ninety days prior to equal access conversion, GTC's customers are mailed a notice of conversion with a brochure explaining equal access and a list of long distance carriers. Consequently, customers who have equal access available generally understand their choices. However, customers who do not yet have the service are sometimes confused by television commercials referring to equal access and to the necessity of making a choice before the phone company chooses for them.

LIFELINE SERVICE

General Telephone is in the process of designing and implementing a publicity campaign for lifeline service. Since the service was implemented in July 1984, GTC has provided a number of announcements, via bill inserts, of the availability of lifeline service.

To bolster this existing program, General will be establishing a lifeline hotline. This toll-free number will be available to existing customers who have questions about or problems with their lifeline service. The number will also be publicized to potential customers who have questions about lifeline service.

In addition, we are in the process of preparing a brochure (English and Spanish) explaining lifeline service. It will include the lifeline hotline and a tear-off prepaid postcard for those wanting to enroll in the program. The brochure, which will be ready by year-end, will be distributed by community and consumer groups as well as government unemployment and social services offices.

Internally, customer representatives are instructed on lifeline's features and eligibility both when they enter the customer rep position and through periodic updating by supervisors. Furthermore, customer representatives' job evaluations are based in part on whether the representative fully informs the customer of his/her telephone service options, including lifeline.

GTC supports the concept of lifeline service for eligible customers. Under the current law, the CPUC has the responsibility for setting eligibility requirements and may adjust those requirements if necessary. Additionally, the commissison must make a yearly report to the Legislature on the status of the lifeline program. Although it is early in the lifeline effort, we believe it is a good first step in dealing with the price of communications for low income customers.